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THE RAILWAY QUESTION.

**Government
Ownership and
Operation.**

**MR. BORDEN'S POLICY
CONSIDERED.**

1904

The Railway Question

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and Operation**

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CHAPTER I.

THE PROPOSITION BEFORE US.

Much is being said of the degeneracy of Canadian politics. Some account for it by saying that we are not one people but two peoples only kept from flying asunder by corruption; others that it is due to our protective tariff and lavish railway subsidies; while there appears to be a measure of truth in a third explanation, that, being colonists and dependents, we are deprived in our public affairs of the uplifting moral force of national ideals. Whatever the cause, there is no gainsaying that politics have become a stagnant pool, shunned by many of the best, with the result that there is a steady deterioration of the moral character of Parliament, and, necessarily, of that of the people at large. It is tolerably clear that until we can invoke some great issue capable of raising party controversy to a higher plane, we shall never evolve one of Plutarch's heroes—a man strong enough to be master of his own soul and to overrule the temporary crazes of the mob. The besetting fault of those concerned in public matters just now is their disregard of principle, their readiness to yield to every organized clamor, however irrational, that fills the air for the time being. On the other hand, the courage that takes hold of minority causes founded on right and justice—

Hail to the courage which gave
Voice to the creed, ere the creed
Won consecration from time,

is regarded as "bad politics," if not as a mild form of insanity, the business of a Canadian leader, according to the new rules, being not to lead but to follow; he is no longer the rudder of the ship but the sail, tossed to and fro and carried about by every wind of doctrine.

A conspicuous instance of this weak and dangerous policy of drift is found in the proposal of State ownership and State operation for the new Transcontinental line. The history of the scheme can be told very briefly:—

(1) In the fall of 1902 the Grand Trunk Pacific promoters asked for a cash and land subsidy for a line from North Bay to the Pacific Ocean.

(2) Early in 1903, the Government's supporters from Quebec raised the point that that Province would not profit in any special manner by the enterprise if it started from an Ontario terminus. Accordingly the port of Quebec was fixed on as the eastern terminus in place of North Bay.

(3) Later, the Maritime supporters of the Ministry objected that, in winter when navigation from Quebec was closed, eastbound traffic would be carried by the Grand Trunk proper to Portland, which would be an injustice to Halifax and St. John, though they are considerably further away. And so the road was taken to Moncton.

(4) Meanwhile certain persons in Toronto, mostly Labor men and Socialists, had begun an agitation for Government ownership without apparently knowing much about it; and in order to appease them, Sir William Mulock insisted that at least a portion of the road, that from Moncton to Winnipeg, should be built and owned by the Government. But it is to be let to and operated by the same Company which is to build the western end with the aid of a Government guarantee.

(5) Mr. Borden's course was equally tortuous. First, his press took the ground that a second Transcontinental line was not called for by the exigencies of Western trade and colonization; secondly, even if it were required, the Government's plan was wasteful and extravagant. However, on finding that Parliament favored a huge expenditure on something somewhere, Mr. Borden produced a scheme of mixed rail and water development, embracing Government ownership and operation to Fort William through the extension of the Intercolonial from Montreal to that point, with running rights to Company roads; then Company ownership from Winnipeg to Edmonton, whence Government ownership and operation, with running rights for Company lines, was to extend to the Pacific. Over and above this he proposed to place ice-breakers on Lake Superior, to improve the principal harbors and waterways of the country, and, later on, to build a Government colonization road from Quebec to Winnipeg.

(6) This rag-bag of policies of various hues and textures, with the enormous cost it would have entailed, could not be advocated with any show of consistency by a party that had been railing at the more modest project of the Government as extravagant. It was therefore shelved, and for a time thereafter Mr. Borden and his supporters appeared to favor the original enterprise of the Grand Trunk Pacific promoters, a line from North Bay to the Pacific. At any rate Mr. Northrup declared that he and his friends had "always to a man" been favorable to that project and "were in favor then, and are in favor now, of assisting the Grand Trunk to build west from North Bay."

(7) But, after all, Mr. Borden had an eye on the Labor vote, the Quebec vote and the Maritime vote no less keen than that of his opponents. He resolved as a last resort, therefore, to carry the road through from North Bay to Quebec and Moncton; and, as a signal concession to the Labor element with whom Sir William Mulock had been coquetting, proposed State

ownership not only from Moncton to Winnipeg—which he had just pronounced monstrous—but from Winnipeg to Port Simpson, 1500 miles further. From the beginning of the debate in 1902 till well into 1904, the Conservative papers had been telling us that State ownership was a vicious principle. (1) Now, with the exception of the Montreal Gazette, they turned round and agreed with Mr. Borden that it was a sound principle. The gist of his resolution in favor of State ownership is as follows :—

"The House is of opinion that instead of ratifying the proposed agreements it would be more in the public interest that the Dominion should assume the whole obligation necessary for extending across the continent the present Government system of railways, thereby completing a Transcontinental railway from the Atlantic to the Pacific entirely owned by and under the control of the people of Canada."

(8) Mr. Borden favors State operation as well. This is implied by the resolution just quoted, but he made it clear in his speech. He might, he said, lease the road for a while until "public sentiment on this point is fully developed," but :—

"I believe that by the time we had this road constructed from the Atlantic to the Pacific, the growing sentiment of the people of Canada would have reached the conclusion that it should not only be owned but operated by them. That is the point to which I believe public sentiment will have reached in this country, even if this road shall be built by the Government with all possible expedition."

So eager is he about the business that, returned to power, he will, he says, expropriate such portions of the Grand Trunk Pacific as the Company may have built west of Winnipeg and make them part and parcel of a State system across the continent.

It would be difficult rightly to apportion the blame amongst the participants, Liberal and Conservative, in this Dutch auction of the public inter-

(1) For example, the Montreal Star of September 9, 1902, argued directly against State railways. "A railway," it said, "is run to make money. It can make the most money by accommodating the most people; therefore, the railway in private hands will seek to accommodate the most people. But Government railways are run with a constant eye to keep the Government in power. They would be located with the same object in view, and if there were a choice between two places, one of which supported and the other did not support the Government, there would be a poor chance for the latter." And so on. This article appeared a few days after it had been announced in the Star, on the strength of a New York interview with him, that Sir William Mulock favored State construction and operation of the proposed new line.

The Toronto Mail and Empire (June 1, 1903) quoted figures from the Intercolonial accounts and, amongst other things, said :—"If this is not a warning against Government ownership and management of railways, nothing in the world can be"; commending at the same time the action of the Halifax Board of Trade in urging that the Intercolonial should be farmed to a Company as a means, to use the Mail's language, of "stopping the everlasting flow of taxes into the sand."

The Montreal Gazette (April 1, 1904), writing from the same text, the hopelessness of trying to make the Intercolonial pay, said :—"Owned by any other organization but a Government, it would be bankrupt. It is an effective exhibit both against Government ownership and the proposed construction by Government of another railway twice as long." Mr. Borden committed his party to the construction by Government of another railway twice as long by resolution moved in the House on May 26, 1904.

ests. Now and then occasions arise when the better elements of both parties deem it prudent, in the presence of some common menace, to forego their differences and unite for the general safety. The writer of this pamphlet is of opinion that it is incumbent on them to do so to-day. He has nothing to say concerning the tariff controversy, the Dundonald controversy, or whether we are spending too much or too little at Ottawa. Those questions, in the same or similar forms, are before us at every election and are decided for or against without the country's experiencing any serious harm. But the broad issue now raised is not merely whether we shall go into State ownership and operation of the new Transcontinental line, but whether we can afford to let Canada become the theatre of those crude proposals in Socialism, Populism (1) and kindred isms which our American neighbors have been combatting for the last ten years, and which have been condemned everywhere by the practical experience of mankind.

A good deal of evidence might be collected from Hansard and elsewhere to show that Conservatives do not quite comprehend how far Mr. Borden's policy is about to carry the party. Take two rather salient points. Mr. Haggart, a former Minister of Railways, who was not converted to the new doctrine till the eleventh hour, suggests that State ownership and operation of the Grand Trunk Pacific would not commit the party to State ownership and operation as a general principle—would not oblige it to expropriate all or any of the existing Company roads; whilst Mr. Borden is reported by an interviewer as saying that if the experiment should not succeed after a fair trial, it will be easy to place the line under Company control.

Practically speaking, a system of mixed State and Company lines, such as Mr. Haggart has in mind, is out of the question. One of two things invariably occurs—either, as has happened in some European countries, the Company lines have been conducted so much better than the State lines, and, as a consequence, have brought on such fierce competition, that for its own protection the State has had to incorporate them with its own roads; or else, as would surely happen here, the State lines at once threaten the Company lines with ruin and the Government for reasons of equity and justice is compelled to acquire them, just as a municipality which purposes establishing a gas or waterworks plant feels morally bound to purchase any private venture of the kind likely to be affected.

Of course, where the circumstances are out of the common, the two sets of roads may and do flourish side by side. They get along well together in France and India simply because in those countries the State allots territory to and guarantees dividends on the Company lines. Similarly, we in Canada possess State lines in the Intercolonial and Prince Edward Island roads, along with a number of Company lines; but in this case the State lines are stowed away in a corner, which they virtually have all to themselves, and do not compete seriously with the great Company lines west. The Canadian Pacific competes successfully with the Intercolonial between Montreal and St. John.

(1) The Populist platform laid down at the National Convention in 1890 included Government ownership of railways along with 16 to 1 and Government sub-treasures for advancing public money on farm produce.

N.B., but only because its route is much the shorter. Exceptions like these aside, the uniform experience is that a dual system of State and Company trunk lines, such as Mr. Haggart complacently looks forward to, does not last long, the former invariably devouring the latter; for whereas the first business of a Company line is to earn something for the investor, a State line is under no such obligation; indeed in some cases is not even expected to earn working expenses. Hence to pit a magnified Intercolonial running from ocean to ocean against an existing transcontinental Company line like the Canadian Pacific, would be an act of injustice towards those British, Dutch and German capitalists who have invested \$250,000,000 in that railway, scarcely distinguishable from confiscation. Without doubt Mr. Haggart himself would so consider it. It could not be done without grave injury to the public credit and therefore would not be done without our first taking over the Canadian Pacific as a State road. Necessarily, the Canadian Northern would have to be taken over too, and then the other Company roads with which the Canadian Northern and Canadian Pacific compete; that is to say, once invoke the principle of State ownership—not, as in the case of the Intercolonial, in a hole-and-corner way, but on the grand scale suggested by Mr. Borden—and sooner or later the logic of the situation would compel us to bring all the railways of the country, except perhaps the purely local ones, under its operation.

Apart from the necessity of acting fairly by the owners of Company roads, we should find a dual system of trunk lines highly provocative of discontent. The farmers of Ontario served by Company roads would quickly protest against paying commercial rates on their produce and having to contribute at the same time to make up the loss to the Dominion treasury occasioned by the political rates granted by the State roads to shippers in other parts of the country. That in their judgment would be tantamount to imposing a higher customs tariff on one Province than on another, and, of course, uniformity could be ensured only through the absorption of the Company lines by Government. Where should we find the money for so vast a transaction? Thanks to buoyant revenues, the present Administration has not found it necessary to add much to the national debt since 1896, yet we owe about four times more per head than the Americans, and the burden could not be augmented by several hundred million dollars on account of Company railways which, taking them all round, are not good money-makers, without infinite risk.

It is a mistake, then, to suppose that we could confine the principle of State ownership to the Grand Trunk Pacific, and equally clear that we could not give it a trial for a few years and then, if it worked badly, abandon it and turn the road over to a Company, for by that time the Canadian Pacific or Canadian Northern, or both, might be bankrupted. The general effect upon our future of such light-hearted experiments would also have to be considered. We have half a continent to develop and for years to come foreign capital must be sought, by individuals and by Government, to aid in the heavy task. But who would care to finance a community where the public loan of to-day might be employed experimentally by the State to wreck the private investment of yesterday?

And, after the nationalisation of railways, what? Does Mr. Borden fancy he could stop there on his greased descent? The *Toronto World*, controlled by one of his supporters, warned him after he brought in his resolution that he must carry it to its logical conclusion. "Public ownership," said the *World*, (May 31, 1904) "means Municipal as well as Government ownership," the municipalisation of "street railways, electric companies, telephones" and what not; "Conservatives must be on the alert at every point if they desire to take the lead in this great struggle for the rights of the people"; once more, "the questions involved are Municipal, Federal and Provincial and we must have friends and champions in all these fields." Where the Macleans lead, Mr. Borden, having taken the first step, must needs follow unless the better element of the party intervenes. That he is easily carried away by the superficial analogies employed by Mr. Maclean is evident from the naive manner in which he agrees with him that because State ownership and operation of railways is more or less successful in certain European countries, it would therefore succeed in Canada. He might as well say that because the Old World thrives after a fashion under State churches, primogeniture and military conscription, those institutions would, for that reason, bear transplanting here. In 1881 an Italian Commission of Enquiry drew from the experience of Europe with regard to State railways that State management is at once more costly and less efficient than Company management, politics corrupting the railroad, the railroad corrupting politics. Yet this weighty verdict is of no more value to any one impartially making up his mind as to the probable success or failure of State railways in Canada than the contrary judgment of Socialist writers. As everyone must see, our geographical, political, social and economic conditions are so radically different from conditions in Europe that we can learn very little from any European experience in the matter—certainly nothing like so much as from our own experience of the Intercolonial.

But the fact that should be pondered by old-fashioned Conservatives, as well as by new-fashioned ones having the good of the country at heart, is that Mr. Borden is now hailed as the leader of those "advanced thinkers" whose vagaries it has hitherto been their mission to resist. Public ownership of all franchises is the cry in Toronto. Let us also have public ownership of coal mines, shouts an energumen in Nova Scotia. The *Winnipeg Voice*, Mr. Puttee's paper, wants the Government to establish car shops and locomotive works to supply the Transcontinental line when Mr. Borden has nationalised it. The *Winnipeg Tribune* thinks he is also bound to acquire and operate the private elevators in the West in conjunction with his Government elevators; the next step, of course, would be for the Government to go actively into the grain trade. The Socialists of Nanaimo are sure he would fix a minimum wage for the various classes of labor employed on the railway, which would become a standard for men engaged in similar occupations not controlled by the State. In brief, every long-haired heresy current in the United States or Australia is trooping into the field, including our old friend, a National Currency to be issued on the security of "our immense natural resources"—as if they could be paid out over a counter—but not, as far as one can learn, redeemable in anything at any time.

No one suspects Mr. Borden of harbouring these disordered visions. He has been brought up in a very different school from the wild brotherhood who are now clambering aboard his ship with the evident design of taking control and steering a course of their own. Unfortunately, we all know to what lengths Canadian politicians will go in order to conciliate apostles of strange doctrine who hold the balance of power or have a solid vote for sale; how easily a party that has once left the paths of sanity may be driven by its residuum into courses at which its better sense would revolt. This is the danger to which we are exposed at the present time. In advocating State ownership and operation of railways Mr. Borden has cut loose from the faith and traditions of Conservatism, and, win or lose at the coming elections, is liable to drift into entanglements that may prove the ruin of his party and seriously compromise the future of the Dominion.

CHAPTER II.

STATE OWNERSHIP IN EUROPE.

As Mr. Borden appeals to the example of other countries let us see what we can honestly make out of it. The subject is a large one and can only be treated here fragmentarily. The reader who wishes to become better acquainted with it should consult such authorities as Acworth and Grierson, who are for Company ownership; Galt, Edwards and Hole, who favor nationalisation; Hadley, Adams and Johnson, who tell the story more impartially; with French authors like Colson and Leon or Germans like Cohn.

It is agreed by all that under an ideal State railways could be managed to great public advantage. We should start with unity of administration, an important factor in reducing expenditure and producing other good results, while the aim would be the development of the greatest amount of traffic instead of the greatest amount of net profit for stockholders. Ideal States exist, however, only in dreams. As things are, we have to deal with a world of imperfections and contrarieties, witness the fact that States furthest away from the ideal—those resembling sternly disciplined regiments where the people are the dumb privates. Government functionaries the officers, and every action of life is regulated according to the sovereign's orders and instructions—are better adapted for operating railways than States of a higher type where the people are all in all. The latter have the defects of their qualities, doing many things fairly well, other things badly, and we have to take the bad with the good. The Socialist who points us to the State mines, State salt works, State insurance, State railways, &c., of Prussia and bids us go and do likewise, forgets that, precisely because we are a more advanced community, it is not given to us to excel in the management of State monopolies. Our form of government, which ensures us direct control of all public undertakings, stands in the way of our turning the Intercolonial over to a board of experts exempt from parliamentary criticism, and so we

fail to conduct it successfully as a State line. On the other hand, it is by virtue of those very principles of government that we are a free people—surely the weightier consideration of the two.

Before making a brief excursion into the literature of State railways in Europe, it is proper to note that State ownership does not prevail in the United Kingdom. In 1844 an Act was passed empowering the Government to buy such railways as might thereafter be built, but purchase was not to begin till 1865. The measure was recommended by a special committee of the House and fathered by Mr. Gladstone, then at the Board of Trade. But nothing came of it. At that time most people, mistakenly as soon appeared, believed that competition in railways would prove an efficient regulator of rates and other railway problems. Besides, Englishmen have an abiding faith in individualism, in private enterprise, as opposed to paternalism or State initiative and direction, which has certainly been justified by their achievements. Instead, then, of being taken over by the State, railways in the United Kingdom have been left to Companies subject to regulation by a Government board.

In the United States a similar course has been adopted for similar reasons. Certain States built and for a time operated railways, but the experiment was not satisfactory and the roads were sold or leased to Companies.

Grants have been made by the British exchequer for exceptional reasons to Irish railways, otherwise bonusing is unknown in the United Kingdom. Irish experience illustrates the danger of arguing that principles which hold good in the ordinary spheres of human activity must hold good in transportation. What more certain than that the competition of independent lines must keep down rates? Yet the multiplication of such roads, each with its own board and officials, is one of the present drawbacks to Irish prosperity, rates being considerably higher than they would be under amalgamation tempered by regulation. The same unexpected result is reached in the case of telephones. The business of transportation is full of such surprises and of what, at first sight, looks like planned injustice.

Take, for example, the standing grievance of the English farmer against the English railway—that it carries overseas products arriving at English ports (say Liverpool) to London for less than it charges on products shipped from a point half way. On its face this is unfair, is in fact equivalent to granting a bounty to foreign competition. Yet the railway's answer is tolerably complete. First, he is arguing as though the overseas meat or cheese originates at Liverpool and consequently is not entitled to a lower rate to London than that raised at Rugby; whereas it originated in Ontario or Manitoba and had to pay heavy charges to Montreal and was there struck with another rate to London, the rail portion of which from Liverpool is the fag end. Because this fractional part of a series of tolls that began three or four thousand miles away happens to be less than his local rate from Rugby, does not prove that he is being wilfully discriminated against it. The sole question is, is his rate in itself a reasonable one for the service performed? Secondly, if English railways ceased to handle Canadian products between Liverpool and London, they would be carried all the way by sea from Montreal to London at precisely

the same charge as now; in fact, the water competition sets the rate for the English roads. The English farmer would therefore be no better off, while his railways would lose the slender profit yielded by the Canadian traffic, and, to make up for it, would probably have to increase their charges on his wares, so that his last condition would be worse than the first.

Ontario farmers have a like grievance against the Canadian Pacific and Grand Trunk. The export rate on cattle from Chicago, where thousands of trainloads are shipped every year, is nearly as low, occasionally when a rate war is on in the United States lower, than the rate from Sarnia or Galt, where once a week a few carloads are laboriously got together. Therefore they are being fleeced by corporations which they nursed with bonuses. They usually add that if the Canadian roads would only be patriotic and charge the American shipper a rate strictly proportionate to that levied on their cattle for the shorter haul, Canadians could make a lot of money by exporting cattle to England since the American shipper would be handicapped to that extent.

Now the rate from Chicago to Montreal does not include the cost of getting the American cattle to the Chicago stockyards, but is merely the final portion of a rate that began as far away as Montana or Wyoming. Again, it is not arbitrarily fixed by the two Canadian roads, but is the upshot of competition amongst the American lines doing business between Chicago and the American seaboard. If the Canadian Pacific and Grand Trunk were to abandon their share of the traffic to-morrow, it would go to these American roads and be carried to American ports, at the self-same rate; the only difference being that the receipts of the Canadian lines and of Canadian steamships would suffer, together with the Canadian labor now employed in handling the business within Canada; which would probably necessitate higher rail and ocean rates on Canadian export cattle.

Such, in a few words, is the reply of the Canadian roads to the frequent charge of unfairness and incivism, and it is not without force. Here and there the boot is on the other leg, as when Manitoba wheat, taken to Buffalo by rail and lake, is carried from Buffalo by rail to New York City—the St. Lawrence route and Erie Canal being the real makers of the rate in this instance—for less than wheat originating at inland points in New York State. In such cases the Canadian farmer is satisfied but the Yankee in turn rages.

A railway has certain fixed charges to meet, e.g., interest on capital with expenses of maintenance and operation, and its tariff is so adjusted as to yield the sum annually called for. In practice, however, it does not cost much extra to run a few trains a day over and above those employed in the regular service; and if they can be made to yield anything at all in the shape of profit, it is so much found money going to obviate an increase or contribute to a reduction of the standard tolls. Briefly, this is the principle at the bottom of the carriage of American traffic over Canadian and of foreign traffic over English lines. A livery-keeper charges a dollar fare to a neighboring town. That is what he must exact from his regular customers to pay working expenses, depreciation, interest on investment, etc. But if at odd times, when he has an idle horse in the stable, he can pick up 75 cents from a traveller who otherwise would not go at all or would go by another route, he is not sinning

against equity. The Company lines in Canada are obliged for the sake of revenue to cater for American business. It would probably be impossible for State-owned lines in this country to do so. The cry that they were helping the foreigner at our expense, though baseless, would compel Ministers to abandon it. And if rates within Canada were not increased in consequence, the loss would fall on the treasury.

Coming back to England, while a certain school of writers favor the nationalisation of railways, Englishmen in general seem to regard it as they regard conscription, as a policy not adapted to their genius or institutions. In countries ruled not by a democracy but by a bureaucracy, where after all is said the people are not wholly free, the verbal abstraction known as the State can do certain things admirably, managing railways being one, managing an army another. Englishmen cheerfully put up with the deficiencies of their system of government in that respect in consideration of the large balance that remains to its credit when all deductions have been made. Company ownership there, as elsewhere, has its drawbacks but it suits them better than State management carried on by functionaries independent of public opinion. That there should be no popular demand for State ownership is all the more noteworthy seeing that the English railways control the principal inland waterways. Our Western farmers would be in evil plight if the Canadian Pacific owned the St. Lawrence route from Fort William to North Bay or the Welland, with the Grand Trunk controlling the rest of it to Quebec. On the other hand, the British Islands are surrounded by the sea, a potent regulator of rates and one that cannot be bought off.

No one quite knows whether English rates are higher or lower than those of the best State roads of Europe. A great many things, more than one who has not looked up the subject imagines, have to be considered on both sides. A fair way of stating the case, perhaps, is to say that while German rates are probably lower, the English service is probably better all round than the German; freight and passenger trains travel faster, the Companies exert themselves more than the State to accommodate the shipper, claims for loss and damage to goods are collected with less difficulty and paid on a more liberal scale, and greater enterprise is displayed in encouraging new traffic and meeting new conditions generally; whilst the tendency of English railway management is towards a healthful decentralisation of industries as opposed to the centralising tendency of the narrower German policy.

Englishmen have invested largely in Indian railways, State and Company, and are watching with interest the outcome of their rivalry. The last report of the commissioner is somewhat disappointing to the State-ownership men. India is not a self-governing colony like Canada, but a dependency ruled by an English civil service of splendid reputation without let or hindrance from any legislative body except the Parliament at Westminster, which, however, yawns through Indian debates and leaves the Secretary for India a tolerably free hand. Agriculture is the chief industry and freight traffic is therefore not large. But population is dense and passenger traffic exceptionally remunerative. Here are most of the elements that make for successful

State ownership, yet the commissioner condemns the State lines and recommends that they be turned over to Companies. (1)

State-owned railways have reached their highest pitch of efficiency in Germany. Germany has an area about four-fifths that of Ontario with a population ten times that of the Dominion, and is made up of over twenty different provinces, as we should call them. Sixty years ago these began subsidising railways with the option, in some cases, of purchase. In 1848 the first State-built, State-operated line was opened between Berlin and a point on the way to the Russian frontier. After the great wars of 1866 and 1870 Germany was consolidated, and, largely for political and military reasons, the various provinces acquired the railways within their respective limits, and still own and control them, although an agitation is now on foot for their federalisation. At present the Federal authority owns and controls the Alsace-Lorraine lines only. A few purely local roads are still in the hands of Companies. Nowhere in the world, perhaps, is the State better situated for managing railways. It wields despotic authority in essentials. Rates in Prussia and other provinces are made by Crown officials without reference to the legislature, and no one thinks of challenging them any more than of challenging any other local tax. The State in Germany at large is not a popular creation as with us, but an impersonal agent acting the part of guardian or trustee for the people without being subject to their control, save, in certain of its functions, indirectly. In addition it possesses a civil service of unsurpassed efficiency. If, says a German railway authority, we cannot manage railways well who can, considering that "generations of faithful public servants have established a tradition of devotion to duty, of honesty and integrity, of pride in the public service, and of care for public property, which is wanting in other countries?"

Chiefly for these reasons, the railways are worked by the State with marked success. They yield a good return on the investment, about 5 per cent. per annum, which leads some to recommend a lowering of rates. Mr. H. R. Meyer, of Harvard University, has recently written a series of articles for the *Railway Age of Chicago* in which he attempts to prove that State ownership and operation in Germany has been an utter failure. He is certainly able to show that even in Germany the participation of the State in the complex business of transportation—a business that more or less affects every private interest in the land—tends to demoralise politics; but beyond this, and making it plain that German rates are nothing like so low as Ameri-

(1) British Parliamentary Return, 1903, Report of Administration and Working of Indian Railways, by Thomas Robertson, Special Commissioner. Briefly, Mr. Robertson finds that the State lines contribute to military strength. Per contra, there is the difficulty in the way of the Government's acting fairly by the Company lines, being itself, as it were, their competitor; the tendency to sacrifice the interests of the State roads to political objects, with the impossible task of operating them on strictly commercial principles; the difficulty of getting rid of inefficient employees and lack of continuity in policy owing to frequent changes of management. He recommends that all the railways should be turned into State roads or that all should become Company roads, preferably the latter, because the Government would then "be in a much stronger position to watch the interests of the country and to hold the scales evenly between contesting parties" than it is at present; and also because the public would "have the benefits resulting from healthful competition between bodies independent of each other and who were anxious to increase their business as much as possible."

can rates for longer hauls, he is not altogether convincing. At the same time the more an outsider studies German railway administration—the immense powers vested in the chief bureaucrats, the calm setting aside of private interests when they conflict with what those officials choose to consider State ends, the excessive importance given to military considerations alike in construction and management, the slow and deliberate procedure entangled in masses of red-tape, the assumption that the public was made for the department, not the department for the public, with the thoroughly bloodless fashion of doing things generally—the clearer it becomes that a railway conducted on German principles would not be tolerated in a democratic country. It succeeds in Germany because it is in accord with its environment, especially with those habits of popular obedience and submission that ages of stern rule have evolved; and would fail in Canada, just as an Old World locomotive built on stiff and rigid lines would surely go to pieces on our undulating roads, from sheer want of elasticity and freedom. We might as well seek to transplant the German Army system or the exorbitant prerogatives of the Kaiser.

In Belgium practically all the lines are nationalised. State ownership works moderately well. The mileage is comparatively small, 2500. Years ago when Company lines and State lines ran side by side, the Company lines gave the public a better service at lower rates and the State for shame's sake was compelled to buy them out. But it had no sooner established a monopoly, than the old slackness and inertia reappeared, and some would like to see competition by private lines resumed. Passing over minor countries, State ownership in Russia cannot be said to be successful. Russia resembles Canada in being a country of vast area and scattered population, with long stretches of territory which yield little or no business for a road; like us, too, she has been compelled, in absorbing new regions, to build a considerable mileage for political rather than traffic reasons. The railways invariably run behind; in 1903 the deficit was 85,000,000 roubles, or approximately half that number of dollars. The great Trans-Siberian road, about 6,000 miles in length, has cost nearly \$500,000,000, or over \$80,000 per mile, and even before the war with Japan was not paying working expenses. (1) Competent judges are of opinion that Company roads would do better than State roads in Russia provided they could be kept free from the general corruption.

In France the State railways embrace about one-twelfth of the total mileage. Territory is parcelled out to minimise competition as far as practicable, but the rates on the Company lines are regulated by a central board. The leading Companies, in consideration of working unproductive lines and for other reasons, enjoy a State guarantee of interest on the capital stock, which they are obligated to pay back if their net earnings admit. In course of time the State will have the option of purchasing the Company roads and of working or leasing them. State operation has yielded very fair results in France but is by no means perfect. For one thing train service is poor and the wants

(1) This estimate of cost is given by the United States Consul at Moscow. The London Times, on the other hand, says the cost has been \$640,000,000, which figure includes that of the Manchurian railways and of the harbor at Dalny. The Times adds:—"There has hitherto been practically no return from this vast outlay, and it appears that no return is to be expected till Russia has a harbor in Corea."

of the public little regarded. The other day a member of the Chamber opposed the nationalisation of the existing Company roads on the ground that "they would be made the dumping ground for all sorts of broken-down individuals and the victim of every selfish and unrighteous desire"; but some deduction must be made for partisan heat.

Italy has tried both State and Company ownership, including the French plan of allotting territory. Railways were introduced when the country was split up into principalities each with its own lines. When political unification took place, a few large systems were evolved and operated by the State without much success. In 1878 Parliament appointed a Commission, already referred to, to decide between State and Company management, and after a minute investigation extending throughout Europe it reported adversely to the former. The State lines were accordingly leased to Companies but the Government reserved the right to terminate the leases at the end of certain periods, now about expiring. What the next step will be no one can tell; it is said that, as a body, Italian shippers favor a renewal of the leases with modifications. The Commission showed in detail how much more it costs to operate a line under State than under private management. In Italy the wages of railway employees were raised shortly after the State lines had been turned over to Companies, nevertheless the proportion of operating expenses to earnings decreased. In Switzerland the purchase of the cantonal roads by the Federal authority was advocated on the ground that cost of management would be reduced, whereas it appears to be increasing with rapid strides.

The success of State control in Prussia had much to do with its adoption by some of the other countries named. So, too, had the military interests, which demanded the swift mobilization of armies, under the direction of officers trained in railway work, by means of railways with which the State could do as it pleased in peace or war. Of late the State railway has been made a donkey-engine to the tariff, rates on exports being lower than on imports. It is said that in parts of Russia and Austria-Hungary, the State lines charge extra rates to persons "suspected of being hostile to the Government," a railway official being the judge. This condition of affairs is probably rare even in Russia, but it illustrates how cavalierly the European State treats its subjects while all the time protesting that they are not bond but free. In Prussia the Minister has power to grant special rates to any industry he may desire to foster or to any district which, in his judgment, is in need of greater protection from foreign competition; and is responsible to no one but the King. While the exercise of this wide authority may and probably does benefit all concerned, including the railway, it would hardly do to place it in the hands of a Canadian politician.

Let no one imagine that the State road in Europe is free from the wrongdoing that manifests itself occasionally in Company ownership. Company managers are exposed, like the rest of us, to the temptations of need, greed and vainglory, and sometimes countenance or are guilty of acts that may ruin an innocent customer or deserving industry. In a free country, with a State board authorised to deal with complaints and a press ready and willing to co-operate, there is not much chance of things being misconducted long.

It is different with the State management of railways in Europe, where the managing official, if high enough placed, is virtually independent of the public, where the press is silent and the injured person afraid to make himself heard lest he incur the displeasure of still higher functionaries proverbially desirous of maintaining things as they are. Whether matters would be better under State ownership in Canada we shall endeavour to ascertain by and by from our experience of the Intercolonial. One thing, however, is certain—State ownership could not possibly remove those grievances, of which so much is heard in Canada, that are not the work of any evil-disposed Company official but merely the incidents and accidents of the policy of properly-managed railways the world over.

One wonders, indeed, how long some of our slashing reformers could keep out of jail if they were in Germany or Russia. They are perfectly satisfied that any strong ruler, any State worth its salt, could put an end to the apparent anomalies that exist in Company management; if they themselves wielded the sceptre we should forthwith experience a reign of justice to all, with no one crying out that he was discriminated against. Yet the very things they condemn with such vehemence in Canada flourish with equal vigor on the State roads of Continental Europe, only there the editor is not encouraged to set them right; he may employ his Archimedean lever to move the earth out of its orbit, but meddles with the details of railway management at his peril. The helping-the-foreigner policy, of which they make so much, is rampant on European lines, while in Germany, where there is a good deal of water competition, 30 per cent of the traffic going by water, people have to tolerate every day at a number of points what a Socialist paper at Kamloops considers the "crowning atrocity of Company monopoly in this country," namely, a lower charge to a place served by sea than to an inland place on this side of it.

Canadian Pacific rates to Vancouver are, there is no doubt, lower than to Kamloops, 250 miles from the coast; American rates to Puget Sound ports are, for the same reason, lower than to Spokane, 280 miles from the coast. (1) Precisely the same course is pursued by German roads that have to encounter the competition of the Rhine or Elbe or Baltic Sea. French railways do likewise under like circumstances. Further, in Germany as in France the State decrees that uniform rates per mile, and none other, shall prevail; yet in both it has to yield to the force majeure of water or foreign rail competition and

(1) The Interstate Commerce Commission at Washington sets aside the fourth section of the Act, prohibiting a higher charge for a shorter than for a longer haul in the same direction under like conditions, in all cases "where the competition of an independent water-route, not subject to the provisions of the Act to regulate commerce, is actual with that of a rail-carrier for traffic at a point reached by it, and for traffic important in amount"; in such cases "the rail-carrier, if necessary to meet such competition, may lower the rates at that point without doing so at other points on its line at which no such competition exists, and at which other points the rail-carrier could not reduce its rates without a large loss of revenue." This leaves the inland point in substantially the same position as before railway construction, when goods destined for Kamloops or Spokane were carried by ship round Cape Horn, landed at Victoria or San Francisco and conveyed to their destination by wagon or otherwise at an enhanced charge.

sanction differential rates that, on their face, are prejudicial to the home and beneficial to the foreign shipper. As a matter of fact, although Germany has latterly been more chary than she used to be in granting them, not less than 25 per cent. of the entire rail traffic of both countries is carried at these special rates—rates at variance with the principle of uniformity on which their tariffs are nominally based, and which our reformers say should never be departed from. But all this, as the reader will perceive, is merely another way of saying that, whether owned by the State or by a Company, a railway cannot escape from its physical surroundings; with it as with every other human venture, "limits we did not set condition all we do."

Here are a few Continental examples. From Bordeaux to Paris, the rate for wine is six centimes per litre; from the Spanish frontier, 200 miles further, to Paris it is four centimes, the reason for the difference in favor of foreign wine being water competition by way of Havre. Foreign wheat can reach Paris by various routes, as, for instance, by Marseilles and thence by rail, or by Rouen and the River Seine. The former route is 860 kilometres long, the latter 134. To enable the Marseilles route to compete, an exceedingly low rate is given, a rate unjust, as they say, to the French farmers living along the line. But the State replies that even if this special rate were refused the foreign grain would still enter by Rouen; the local grower would not fare any better while the railway would lose what little it makes from the traffic. Again, traffic between Belgium and Switzerland has the choice of three routes, one traversing French territory, which is longer than the other two. To obtain a share of this business the Eastern Railway of France has to carry it at rates considerably lower than those granted to French merchandise carried between the same points. French merchants complain that the Eastern is thus building up the Belgian port of Antwerp and Belgian factories at the expense of French factories and French ports; but the State Board of Control sweeps aside this objection. If the Eastern were to withdraw from the traffic, which yields it a slight profit, the traffic would all go by the shorter Alsace-Lorraine and Baden routes, which make the rate, so that French industries would be no better off than now, while, the volume of this special-rate business being large, the Eastern would lose enough to affect its revenues and compel it to augment some of its rates within France.

The case is similar to that of the Chicago cattle with this difference, that these were foreign products carried by a Canadian road to a Canadian port as cargo for Canadian steamships, whereas the Eastern Railway alone is directly benefited by the differential rates it gives to Belgian goods, or to British goods entering Antwerp en route to Switzerland, French ships and ports deriving no advantage. At the present moment the State-owned roads of Westphalia are diverting foreign traffic from the Rhine to themselves, for carriage to the German ports of Hamburg and Bremen, by granting rates 22 per cent lower than those given to similar German traffic for the same haul. A short time ago a German kartell or trust sold coal for export to Austria at half the price charged to the German consumer; and, on top of that, a State railway granted the coal a rate to the frontier 40 per cent. less than the standard rate for local shipments, that is, for coal going to the same frontier points within Germany not for export but for home consumption. Our State-ownership brethren

would probably denounce the State official who granted this differential rate under such conditions as a monster of blood and iron, but, although the particulars are too long to be given here, he was really doing his duty by the road, and, strange as it may appear, by the German consumer of coal as well. Scores of instances of like character might be cited, all demonstrating that the State in Europe, or anywhere else, must yield the same obedience to the laws of transportation as a Company if it desires to make both ends meet. Defending his State roads from the charge of helping the foreigner, the Finance Minister of Belgium sums up the whole case by saying :—" Either the railways must be worked on a principle that shall enable them to cover their charges, or the taxpayer must make up the difference."

The greater cost of operating a State than a Company line has already been adverted to. We are all aware that Government in Canada can neither buy nor sell to the same advantage as a private trader; so it is also with the Governments of Europe, although they are fenced round by provisions unknown here, besides which their standard of political morality is high. There would be little use in quoting the European figures which show the greater cost of operating State roads, our own are quite as much to the point :—

	Gross Earnings.	Working Expenses
Intercolonial	\$ 6,324,000	\$ 6,197,000
Grand Trunk	25,109,000	16,848,000
Canadian Pacific	43,300,000	27,458,000

These were the figures returned to the Railway Department last year. To state it in another way, for every \$100 of gross earnings the operating expenses of each road were :—

Intercolonial	\$98
Grand Trunk	67
Canadian Pacific	63

It is difficult to make a comparison of European freight rates with those in force in Canada owing to our hauls being so much longer than theirs. Naturally, ours should for that reason be less per ton-mile than theirs, and so they are. A year or two ago the freight earnings of railways in Prussia were 1.427 cents per ton-mile. At the same time Canadian Pacific freight earnings were .74. Had it charged Prussian rates the Canadian line would have taken \$18,000,000 more than it did that year from the Canadian shipper. On passengers it would have collected less by \$3,000,000 had it charged Prussian rates, leaving a net excess of \$15,000,000 beyond what was actually earned. Prussia has 256 inhabitants per square mile, as compared with 10 in Ontario, 4 in Manitoba, 5 in Quebec, etc. It is easy to see, therefore, that Prussian railways can afford to make lower passenger rates than ours.

Wages on all the State railways of Europe are low even when their high purchasing power is considered, lower than in similar employments in the same countries. On Prussian roads a locomotive engineer receives from \$288 to \$528 per annum, firemen \$240 to \$360, conductors and brakemen \$190 to \$288, trackmen \$156 to \$279. The average of comfort is, of course, much

below the Canadian level. The men are trained by their military career to obey and act together. Every one who enters the service knows exactly what he is to be paid and all about the other conditions; to agitate for better things is regarded as akin to breach of contract. Strikes which threaten to stop operation are put down remorselessly by the military. Benefit societies are encouraged and State pensions granted in most cases, but the State tolerates no interference from foreign labor agents; an English or French head of an international union who came on the scene to take charge of the interests of the men during a strike would be expelled without ceremony. An unpleasant feature of the relations between the State and its employees is the strict watch kept over them by spies. From their moving about on trains, certain classes of the men are generally suspected of circulating anarchist literature, preaching Socialist doctrine or keeping up communication with foreign "reds," and their life is rendered unhappy by espionage. This is more particularly the case in Russia, but even on the German railways the men are almost always under the surveillance of political agents employed as laborers, drivers or clerks. Hours on German roads are shorter than railway hours in England, but the pay with its purchasing power is much below the English rate.

The danger that besets a Government which meddles with the business of transportation, a commodity used by everybody in some form, is for obvious reasons not so great in Germany or Russia as in countries like Canada or Australia, where partyism has full swing in every branch of public activity. Yet even there grave evils prevail. Twenty years ago, Russia arranged rates so as to give her newer and more remote wheat lands access to the chief domestic and export markets. The policy was attended with so much success that the landlords and peasants in the central region cried out that they were being ruined, and pointed to declining land values and loss of population caused by migration. The chief home markets lie in the west and northwest of Russia and the valley of the Vistula, and the central farmers argued that they were entitled to profit by their geographical position—they were nearer those markets than the wheat-grower of the east and should be protected against his cheaper produce. The Government was compelled, after years of agitation, to listen to them and rates from the east were raised by the "tapering" system. But this restricted the area of profitable culture in that part of the country, and when famine came the people inwardly cursed the Government for surrendering. A similar state of things existed along the Trans-Siberian line before the breaking out of the Japan war. The Government had gone to heavy expense in procuring settlers for that vast wood and prairie country, in erecting grist-mills and making other preparations. Wheat, the staple crop, could not well be hauled to Vladivostock or Port Arthur and sent thence by vessel to Russian or foreign markets; but low rates were granted for its carriage by rail westward. As the exportable surplus grew, the farmers in the eastern portions of European Russia joined hands with their old foemen of the centre in demanding protection against the new competition, and the Government, as before, succumbed. Here in Canada the wheat centre has moved westward from the parishes on the south shore of the St. Lawrence below Levis, which yielded well when France owned the Colony, to the valley of the Richelieu and on through Ontario to Manitoba and the Territories beyond, leaving

more or less depression behind it at every stage. The Czar and his advisers have no fear of elections, but, under State ownership, our Ministers would never be caught in the act of turning the older provinces against them by giving low rates to the new. In all likelihood, rates for the West and rates for the East would be arranged like everything else with an eye to party consequences, the requirements of trade and industry being of secondary moment.

The same thing frequently happens in Germany. The principal fault of German management is that it is not flexible enough, it does not adapt itself to special conditions with the ease and facility of Company management. Thus by refusing to meet water competition at certain important points, the German roads bring about a discrimination against places that would not be allowed in Canada. It is obvious that a factory town or local mine situated on a waterway—and there are 8000 miles of navigable water within Germany—has a signal advantage over a locality with coal mines or factories of the same sort that is served by rail only, if the railway refuses to make a rate sufficiently low to permit competition in a common market. The tendency is to concentrate industry at points favorably situated by nature and leave other points out in the cold. Company managers pay much attention to this feature of the business. They are obliged every day to carry goods at unprofitable rates in competition with water routes in order to do justice to shipping points remote from such routes; and in most instances are told, for their pains, that they ought to be ashamed of themselves for charging higher rates elsewhere. The reason why some of the State lines in Germany are slow to reduce rates to meet water competition is partly the inertia of State management, the desire to let things alone; partly their honest effort to live up to the principle of a uniform rate per mile; and partly, it is said, the fear of bringing down on themselves the anger of the older or more important cities that would not relish the prospect of losing their supremacy. In plain English, the Government declines to cut rates to or from A lest its rival B should take offence and return a Socialist.

We can imagine what would occur here if, in addition to distributing tariff favors and trunk railways, the Government by giving or withholding special rates could determine in great measure the future of a new town or an old community. That would be a tremendous weapon, surely, at the command of party. The all-important decision would, of course, be rendered in the name of the King or Governor-in-Council, but while the voice might be the voice of Jacob, the hands in too many instances would be those of the political jobber.

When Englishmen discuss State ownership they usually look at the political side and agree with Acworth that as the purchase of all the railways in the United Kingdom would involve an expenditure of about \$5,000,000,000 and turn five per cent of the adult population into Government employees, liable to be coerced at elections, the step would be nothing short of revolutionary. There are 250,000 employees on the Prussian railways. As the Provinces own and control the roads, the Federal Government has no direct influence over this army of voters at Federal elections. In Provincial elections the voting power of the men is curtailed by the peculiar franchise in

vogue, the three-class franchise that secures the predominance of the wealthier electors. Besides, Responsible Government does not exist either in the Provinces or in the Federal legislature, Ministers being nominated by the King and holding office at his pleasure regardless of the views of the Chamber. Judge Cooley, of Michigan, a well-known authority on railway law and first chairman of the Interstate Commission, is reported to have said that in the United States Government ownership of railways "would involve the addition of a million men to the public pay-roll, and, in evil hands, might shatter this Republic into fragments." A few days after introducing his State-ownership motion Mr. Borden spent several hours in attacking the conduct of an Intercolonial official accused of doing party work at a bye-election in Guysboro'. What does he suppose would be the result of extending the Intercolonial across the continent and giving the Government of the day control of the votes and energies of its twenty thousand employees? And what if the Government owned all the railways in the Dominion with 100,000 employees? European countries having State lines are, as we see, protected from trouble and danger on this score by the illiberality of their institutions, whereas the very freedom of ours would prove their destruction if a solid vote of such dimensions were at the disposal of an unscrupulous Minister.

Note too how carefully the Continental State protects itself in dealing with requests for new lines. With us, the Intercolonial is extended as a matter of course by construction or purchase whenever public and usually whenever party requirements in this or that part of the Maritime Provinces demand it. Whether the Minister builds or buys, he enriches the campaign fund—at least his enemies, from their experience, so assert; but notwithstanding the customary bluster about its great mission, the new line invariably proves as unprofitable as the rest of the road. In France, whether a State or Company road is asked for, the first step is to appoint a non-partisan commission to ascertain whether it is necessary or not, to formulate what is called a declaration of public utility. Another non-partisan tribunal suggests where the stations should be placed, a third deals with expropriation for right of way and terminals. Then the Minister reviews the findings and pronounces a decision into which party considerations do not enter at all, in the majority of cases reporting against the application.

This brings us to one of the most dangerous features of Government ownership in a young country like this where the cry for new railways is heard on every side and the State is not an unimpressionable autocrat but, in truth, the "boomsters" themselves, or, what is the same thing, their representatives in Parliament. As a rule, Company roads are built only when and where the promoters see a chance to make them pay, although the bonusing system has lately called into existence lines built solely for the contractor's profit. But the State, in other words the party in office, whether Liberal or Conservative, not infrequently builds for votes, and under any circumstances is more liable than a Company to launch into wild enterprises. "But what will your road carry?", was the question put by a Minister to a bonus-hunter. "I shall be satisfied," was the irresistible reply, "if it carries me into Parliament to support you." In the case of a Company the loss falls on promoters or stockholders, whereas when a State road goes wrong the taxpayer suf-

fers. The common stock of the Grand Trunk, on which the English investor was promised $11\frac{1}{2}$ per cent per annum (see prospectus of 1854), cost him its face value, \$110,000,000, but is now worth only \$15,000,000; it has never received a penny of dividend and never will. All told \$250,000,000 at least has been irrecoverably lost in Company roads in Canada. But, to say nothing of the moral deterioration that would have ensued, how much more money would have been lost, not by the British investor but by ourselves, had the business of projecting, constructing and financing railways been performed by Canadian politicians masquerading as the State? (1)

But our friends on the other side reply, we shall employ a non-partisan Railway Commission to build and manage our State roads; we cannot trust ourselves but our nominees shall be above suspicion. If the Commissioners had absolute authority over public interests so vast, what would become of Responsible Government? If they had not absolute authority to disregard the pressure of the Cabinet and its party, how could they improve things? The notion that the State is a supramundane entity excelling us poor mortals in virtue and power, vanishes the moment one reflects that, in reality, it is only a fine name for the politicians in office for the time being; and there is no reason why we should invest a secondary tribunal like a Railway Commission, appointed by those politicians, with the same superstitious halo. We shall see presently how State operation by Commission has worked in Australia. Meanwhile as water cannot rise above its level or a people expect to elect a legislature better than themselves, it may be taken for granted that a legislature cannot possibly create a subordinate agency that shall be free from its own imperfections.

On the whole, then, State ownership in Europe is attended with a considerable measure of success. The people are satisfied with it because they have no choice and, in some countries, have known nothing else, and also because, in others, it really works well. Professor Hadley, of Yale, one of the best authorities on the subject, not long since summed up the matter thus :—

"Instead of arguing on the relative merits of State ownership or private ownership, the students of railroad economy at the present day recognize that the decision of this question depends upon the industrial habits and traditions of different peoples. That system is better which gives the best chance of securing efficient managers for the railroad, and of holding those managers responsible for using their power in the public interest. When the Civil Service is good and private business methods slack, there is reason for State ownership. When the Civil Service is less good and private business methods better, the best results may be expected from ownership and management by private Companies."—(New York Evening Post, Jan. 12, 1901.)

We may go a step further. State ownership works satisfactorily in Continental Europe because those countries possess a form of government calculated to obtain the best results from it. They are administered as Canada was under French rule and under English rule down to 1841 by irresponsible

(1) Foreclosures on American railways from 1876 to 1903 amounted to \$6,820,000,000, the worst year being 1896 when they came to \$1,150,000,000. This loss minus an allowance for "water" would have fallen on the American people under State ownership. As it was, the foreigner suffered most.

Ministers who call the tune without reference to those levied on for the piper, and are in a position to conduct railways and other public works with a single eye to the well-being of the State—as they conceive it—regardless of any other consideration. The system works well enough provided your despot be honest and enlightened. In some instances he is neither and then his subjects are in evil case indeed, while in most he is nothing like so capable of judging what the country requires as a self-governing people. We in Canada at any rate should not care to resurrect the old Bigots and Craigs, Hocquarts and Sydenhams with their arrogant semi-military régime. They could probably operate State railways to better advantage than Mr. Emmerson, but it is certain that under their rule as a whole we could not look for the same free play of individual enterprise and individual freedom or even for the same material prosperity that we now enjoy.

Our Socialist brethren desire to throw existing institutions into the melting pot and bring forth a new order. The harsh processes of Nature for determining the survival of the fittest are to be rescinded somehow by the State, and, as a consequence, the natural inequality of men shall give place to an artificial equality, while the consumption and production of all things shall be regulated by the same benevolent agent. It is a dream like More's Utopia or Plato's Republic. The Titans were no match for the gods and to assume that man can readjust the eternal conditions is to assume a good deal. Such people are perfectly logical, however, in demanding State ownership of railways as a step towards the realisation of their vision. But the rest of us probably cannot do better than take our stand, with England and the United States, on the broad ground that while State ownership, fenced about and restricted as it is in Europe, may suit European peoples, we prefer private ownership, with all its faults, as being more in accord with our institutions and the larger measure of freedom to which our race is heir.

CHAPTER III.

STATE OWNERSHIP IN AUSTRALIA.

The first free settlers in Australia contained a sprinkling of Irish agitators, who left Ireland after 1848, and of farmers evicted from the Highlands who came with a bias against the existing order in the Old World and a desire to found institutions that should be truly democratic. In Europe State paternalism is State absolutism in a cloak; the governments see to it that the nationalisation of armies or of railways does not lead to democratic, still less to Socialist excesses. In Australia, possessing wide powers of self-government and separated by thousands of miles of ocean from any other English-speaking community, there has been no check by law or example upon the whims of the multitude; they could carry their theories of State control to almost any length, and have carried them, for the present, as far as their creditors will allow.

All new countries have their periods of railway-building activity. We had our first period in the days when the Municipal Loan Fund was the good fairy and money was spent right and left in bonusing lines and building harbors for the freight they were to carry. About 1882 another period set in which has not yet terminated. In the United States years ago large sums were given by municipalities and individual States, until the people became alarmed at their own extravagance and in some cases made constitutional provision against bonusing. The Federal Government advanced \$60,000,000 to the first Pacific roads together with land grants aggregating 200,000,000 acres to them and other lines. An American writer asserts that while the roads subsidised by the Federal Government had a mileage of only 25,000, they have brought about the construction of at least 75,000 miles more; "every mile that the Companies have been induced to build by those subsidies has resulted already in a development of territory and in a growth of population and traffic that has compelled them to build three additional miles of track to take care of it." (1) He goes on to say that a careful investigation of the railroad mileage of the United States shows that "the construction of 139,500 miles out of its 202,000 miles is directly traceable to the subsidies and land grants given to the Companies"; and expatiates at length on the wisdom of the bonusing system. Theoretically, it is a good stroke of business for the community to borrow cheap money and invest it in railway construction in new districts. In practice, it generates waste and corruption together with a lazy reliance on Government for other services.

In Canada these evils manifest themselves in various ways. Paternalism dates back in Quebec to French rule, when the King did everything of a public nature for the settler and regulated him down to the end of his nails; in Ontario, to the care which the early governors displayed in supplying the new arrival with gravel roads, implements, seed, etc., and protecting him from republican contamination. Lord Durham judged that we lacked the indepen-

(1) *World's Work*, June, 1903.

dence of mind of the Englishman—due perhaps to our being in the Colonial stage of existence—and also his native enterprise; we had contracted the habit of looking to Government for services which he performs for himself as part of the day's work. Bonusing and bounty-giving have reached the dignity of a second "national policy" and are undoubtedly sapping individual energy, besides contributing to the degradation of politics. In the United States they have had several narrow escapes from Socialistic dangers of a graver sort. The Greenback party, the Farmers' Alliance, the Populists, Bryanism, have in turn menaced the national credit and national character. The payment of the public debt in a debased paper currency or a debased metal has usually gone hand in hand with State ownership of railways, Government loans to farmers and other proposals of the ancient bread-and-circus order. Fortunately, the common sense of the American people has enabled them to overcome these temptations, and they have their reward in a high credit at home and abroad, great prosperity and the consciousness that their moral fibre is unimpaired.

Nothing that we or the Americans have done in this line is comparable, however, to the expenditures in Australia and New Zealand on State railways, harbors, telegraphs, and other public utilities. And with them the State has taken up one thing after another until it is now the all-regulating, all-providing demiurge. An English writer says the climate is responsible for the absolute reliance on Government that characterises the people—the fierce sun dissipated the sturdy energy and individualism of the first-comers and led their descendants to prefer "bondage with ease to strenuous liberty," the bondage being the yoke of the demagogues and agitators who so largely constitute the State in Australia in so far as it possesses any outward and visible form or power of articulation. It can be safely said that this young democracy is carrying State Socialism to an extent never before attempted by an English-speaking community.

In round figures the public debt of Australia and New Zealand is \$1,200,000,000 for a population of 4,500,000, or nearly \$300 per head. Against this they can show their State railways and other utilities, the value of which as paying investments is more or less doubtful. The public debt of the United State in 1903, counting State as well as Federal debts, amounted to \$13 per head. In Canada, with a population of 5,500,000, the Federal debt was \$260,000,000 or \$48 per head, and the Provincial debts \$6 more, or \$54 in all; while our country possesses far greater natural resources than Australia. Notwithstanding its gold and wine and wool, Australia is not a rich country potentially. The coast is fertile, the land immediately behind fairly so, the next range scrub or dry pasture, and the interior a waterless desert said to be encroaching on the habitable portions. Gold-mining is on the wane, sheep-farming employs relatively few hands per square mile, and frequent droughts destroy sheep, cattle and wheat alike. There are no waterways in the interior that can be depended on, hence we find a somewhat larger railway mileage in proportion to population than exists in Canada or the United States. Most of the Australian debt has been sunk in the State railways. In 1902-3 there were in Australia 13,160 miles of State railway, in New Zealand 2300, and, in addition, about 1000 miles of small private lines. The 15,500 miles of State railway has cost on capital account \$755,000,000, or \$50,000 per mile.

In Canada in 1902 we had 18,900 miles of railway, Company and State, which had cost nominally \$1,098,000,000 or \$60,000 per mile.

In Australia and New Zealand about half the mileage is narrow-gauge. In New Zealand it is all narrow-gauge. They have four gauges in Australia—5 ft. 3 in., 4 ft. 8½ in. normal, 3 ft. 6 in. and 2 ft. 6 in. The first costs more to construct but less to operate than the normal 4 ft. 8½ in. gauge. The narrow-gauge costs less alike to construct and operate. With the exception of the Prince Edward Island Railway, which is owned by the Government, and a few small private roads, all the Canadian railways are of normal gauge. The narrow-gauge lines in Australia were built chiefly for economical reasons, although it is said that in some cases the Colonies, which prior to the establishment of the Commonwealth regarded each other as trade rivals, adopted different gauges in order to break connection and thus afford greater protection to local industry. It is not easy to compare cost of construction or of operation here with cost there under such unequal conditions. With the State finding the money, cost in Australia should have been much less than in Canada where the Company securities, aggregating \$860,000,000, had to be sold at a shave. To take an extreme case, the Grand Trunk once sold \$10,000,000 of securities in the open market for which it realized only \$2,000,000, a discount of 80 per cent. Experts on the spot say that taking everything into account—the higher credit of the State, the difference in gauge, the character of the country traversed—construction has cost more in Australia than in Canada while cost of operation is also greater. It is useless to attempt comparisons of equipment.

The roads are still owned and operated by the Colonies, now known as States, which constructed them, but the organic law of the new Commonwealth provides for their being taken over by the Federal Government. Official reports have from the beginning been extremely optimistic; the lines, it was said, paid handsomely and could be sold for cost or more, the debts incurred for construction being only a nominal liability. But since Australia has reached the end of her tether as a borrower, unpleasant things are being told. In some of the Colonies it appears to have been the practice to fabricate railway surpluses by the process of "charging forward." Revenue in hand, along with all in sight, was placed to the credit of the year's operations, but money actually spent was charged to capital when it should have been charged against revenue, or, more commonly, carried as floating debt. When the floating debts had reached their limit—to mention a single instance, Victoria had recently one of over \$18,000,000—they were paid out of the proceeds of new loans. Victoria officials now admit that the aggregate of the deficits in the last fifty years, or since the first State railways were built, exceeds \$50,000,000. New South Wales and other States show deficits for the last two or three years which are blamed on the drought. It is important to note that when Australian officials speak of a deficit they mean not as we mean that operating expenses have exceeded revenue by so much, but that operating expenses and interest on capital taken together exceed receipts. There is no possible way, however, of reconciling official reports even on our basis with the tales told by English and American visitors and corroborated by Australians in private conversation. Officially, all the roads

until the recent droughts paid a net profit of 3 per cent. per annum or more; whereas this is flatly denied by foreign experts or attributed to questionable bookkeeping. The only safe posture appears to be to suspend judgment until more is known.

In old countries people are satisfied if the means of transport keep pace with growth of wealth and population. In new countries it is generally allowed that they should follow hard on the heels of the pioneer and even on occasions blaze the way, otherwise the rush of colonization may be retarded. Per contra, when construction altogether outruns requirements, the railways in the freshly invaded areas are not much better, so far as the investor is concerned, than so many holes in the ground, and capital is slow to take hold of new ventures. This appears to be the situation in Australia just now, added to which the English lender has come to the conclusion that State Socialism has been carried too far in other directions. The Australians have lately begun, therefore, to turn the construction of new railways over to Companies, giving them State aid in land or guarantees. The Midland of West Australia is an example; it is 280 miles long and received a land subsidy of 12,000 acres per mile, but, the Company's finances having broken down, the Government guaranteed its bonds against the hypothecation of a portion of the land. It is a narrow-gauge line with 46-pound rails. Queensland has built four roads by Government guarantees and one or two with land grants. All are Company lines. At first the legislatures objected to this departure from the State-ownership principle; but as the State could not raise the money, they had either to invoke private enterprise or go without the railways. It is believed that the building of Company lines, in part with State aid, will become general in the future, and since the two sets of roads cannot be operated together on a large scale with much hope of success, that in the end private enterprise will obtain control of all the State systems. But the fever of Socialism will first have to abate. The Socialists would prefer to repudiate the debt and start Government construction and ownership all over again—a course reprobated, however, by the people at large and impracticable to this extent, that nobody would lend them a fresh supply of funds. When English capital ceased to flow in for State construction, the Socialists declared it was not required, the State could raise all it needed by local borrowings. They soon discovered that the man at Melbourne or Sydney who had advanced \$50,000 on Government debentures could not thereafter afford to extend his business; in brief, that a young country was not an old country with capital sufficient for its wants and to spare.

The first State railway on British soil was a branch from the City to the Port of Adelaide. It was to have cost \$225,000 but the actual cost was much greater owing to a sudden rise of wages caused by a stampede to the diggings. The cost of all the earlier State lines was materially enhanced by the high wages then current. Comparing the wages paid in Canada during the construction of the Grand Trunk in 1854 with those paid to Australian labor about the same time, the difference is 32 per cent—the Australian navy received that much more; cost of materials, high as it was in Canada in those days, was still higher in Australia. It would not be right, therefore, to ascribe the excessive cost of Australian lines altogether to State management. State

management is nevertheless accountable for a huge amount of waste. On this point all acquainted with the subject agree. An English engineer says that, taking 100 as the quantity of work done in a day by a navvy in England, an Australian navvy working for a Government or a Government contractor performs only 73, while his wages are 66 per cent greater. With his higher cost of living the 66 per cent. is not all gain to the Australian, and part at least of the 27 per cent of loss on the day's results must be attributed to the enervating climate. But when all is said, it is probably true that "nobody works as hard for a Government contractor as for a Company contractor," because amongst other reasons "the former has to allow for the fact that every man in the gravel pit is a politician like himself." The "gae canny" rule, as they style it in the North of England, that men engaged on a job shall work leisurely in order to necessitate the employment of others, is observed to the letter in Australia. The old boast that the railways pay handsomely is used by the labor agitator to clinch his demand for better wages. "If you won't reduce rates why not spend your surplus among the poor workingmen?" is an appeal no Minister can resist in a workingman's district. And what but acquiesce when, times being hard, he is urged to employ two men to do the work of one—acquiesce or lose the riding? Another English expert says that at the present moment he would not accept the best of the Australian roads as a gift if he had to work it under existing conditions, with industrial distress and accompanying decline of traffic aggravated by "a bloated payroll, an eight-hour day and the walking delegate exercising more real authority than the Government." This, of course, refers to Australian railways at their worst, after suffering years of drought and depression. In normal times it is probable that, if they were in private hands, they could be made to yield a fair profit even with lower rates.

The railway contractor has always exercised a sinister influence in Australian politics, the hundreds of millions spent on State roads having all filtered through him. Said a Canadian member of the fraternity:—"Politicians and steam-shovels come high but I require both in my business." In Australia, as here, the contractor manages to have a following in the House by contributing to election expenses and taking care of constituents. When a road is about finished and his plant is likely to be thrown idle, he beats up an agitation for the construction of another by organising deputations, inspiring the local newspapers and making it an issue in the constituencies likely to be benefitted. No matter how good a contract he may secure he generally tries to increase his profit or recoup himself for his contributions to the fund by departing from the specifications, and, if the Government objects, appeals over its head to its supporters. Mr. Gillies, who was premier of Victoria a few years ago, declared that whenever the Government enforced penalties the contractor "moved members of the Assembly and persons outside to influence it to appoint a board to hear his case. In every instance of the kind in which a board had sat they had decided against the Government. It mattered not what the contractor had done the Government had not had one solitary case decided in its favor." To remedy these evils construction by day's work was tried but without avail. The State cannot, like the drudging goblin in *L'Allegro*, toil with its own hands; it must employ agents and foremen who in most cases see no harm in cheating it, and under any circumstances has to reckon with the more voracious party "boodler."

Before the appointment of the Railway Commissions, that is from 1855 to 1884, the Colonial Legislatures had a free hand in constructing and managing the railways. The record of that period is not pleasant reading. Sir Robert Hamilton, a friendly critic, says that an "appreciable amount" of the money then spent was squandered "on works for which there was no immediate necessity, and some of it on work for which there was no necessity at all." Other authorities tell of lines being built in districts where there was little produced or distributed and with small and practically no possibilities for development, the object of constructing them being to help the party. Australian politicians are personally clean-handed, but everything goes to show that they are quite as energetic as our own in spending public money "where it will do most good" at elections. Mr. H. D. Lloyd, another sympathetic critic, says in his book "Newest England," which more particularly deals with New Zealand :—

"Political pressure is the great bugbear of public ownership. Politicians pulling to get their henchmen jobs; local statesmen log-rolling with each other to have roads built in their districts, which if the public interest were the standard would be built anywhere but there; influence that manipulates rates to the injury of men or sections with less influence; the railway vote thrown in solid mass by the corrupt Administration to keep itself in power forever—these are the nightmares invoked to haunt the dreams the people are dreaming of days to come when they shall own their own railroads. This seeking of office and appropriations and favours at the cost of all for the few, comes from a kind of human nature which is found in Australia as it is everywhere else. But over against it there is, in Australia, as everywhere else in this world, struggling to free its hinder parts, another and a better human nature which is seeking to control it."

Mr. Lloyd, who is a Socialist, is no doubt quite right in thinking that these evils will disappear when human nature reaches perfection; meanwhile they must be counted as weighty reasons against State ownership. The attention of outsiders was first seriously called to the condition of things in Australia by a writer in an English magazine a dozen years ago (1) whose statements, though contradicted at the time by Australian officials, have been tolerably well substantiated. This writer spoke of "railways which have never paid and never will pay because they were never designed to pay"; of lines running for hundreds of miles through a country "carrying for the most part one sheep to every three acres"; of the roads being over-manned and employees receiving exorbitant wages for a half-hearted day's work, and of the bookkeeping whereby expenditures were manipulated to ensure a surplus. The railways were admittedly running behind at this time, and, speaking for the English investor, he asked this question :—

"Will a people in power consent to the reduction of train mileage, the raising of freights and fares, the increase of working hours for State railway employees, the purchase of well constructed and durable rolling stock in the cheapest market instead of from a favored manufacturing ring in the Colony—and all this to set the foreign bond-holder's mind at rest?"

The people, of course, would not consent. Economy was out of place in a time of depression; that was precisely the time when the State roads should take care of the unemployed and spend all they could borrow on new

(1) *Nineteenth Century*, April, 1891.

works whether required or not. It is not worth while pursuing this branch of the subject further. The legislatures voted immense sums, much of which might as well have been thrown away, and, while the money lasted, Australian prosperity was the wonder of the age. When a crash came in 1893 the country had more railways than it needed, but as soon as fresh loans could be got the construction of others was undertaken in order to keep the electors in good humor and "boom things up." We in Canada know all about it.

The first of the Railway Commissions was appointed by Victoria in 1884. South Australia followed suit in 1887, New South Wales in 1888; the rest were not long behind. At the outset all the Commissions were non-partisan. Some of the Colonies brought experts from England. A brief summary of the New South Wales Act will give the reader a fair idea of their duties and powers :—

The three Commissioners hold office for a term of seven years. They may be suspended by the Governor-in-Council for misbehaviour or incompetence and dismissed by a resolution of each House of Parliament. Salaries range from \$7,500 to \$12,000. All the railways, tramways, docks and other public works in the State are vested in the Commissioners. No rates, taxes or assessments may be levied on the railways or on any other property controlled by the Commission, but the Commission may be sued in the Courts. All public money voted by Parliament for the maintenance or management of railways, and for all purposes in connection therewith, are under the control and management of the Commission. They are to maintain the railways in a condition of efficiency and to serve as common carriers and levy tolls. They are not to give any undue preference or advantage to any particular person or any particular description of traffic; but they are empowered to grant special rates for the conveyance of specific classes of merchandise or produce. They decide on the position and character of railway stations, station platforms, yards, sheds, crossings, etc., and purchase locomotives and rolling stock. "Before the second reading in the Legislative Assembly of any bill authorising the construction of new lines of railway, the Commissioners shall transmit to the Minister a statement under their seal showing their estimate of the traffic on each proposed new line, and any other returns likely to be derived therefrom, and the Minister shall before such second reading lay the same upon the table of the Assembly." A page of the statute is devoted to regulating the issue of free passes. The accounts of the Commission have to be audited like any other. The Commissioners have to report to the Minister every three months on the general condition of the line, on such special rates as they may have granted and as to the appointments and removals of employees; while once a year they issue a more elaborate report and submit estimates of receipts and expenditures for the next succeeding fiscal year. The Commissioners in their corporate name may contract for the execution of any work devolving on them, or for furnishing material or labor, etc. They have to report on railway accidents and prepare bylaws and regulations. Every person seeking permanent higher-grade employment in the railway service of the State must pass an examination and insure his life. In practice the higher appointments are made by the Minister; those in the

lower grades of the service by the Commission. Employees are not allowed to contract themselves out of the provisions of any Act of Parliament affecting them, and may sue the Commission under the Employers's Liability Act. The Commissioners have power to appoint to any position or grade, without examination, persons of known ability not engaged in the railway service.

To put it briefly, the Commissioners in the various States occupy a position analogous though somewhat superior to that of the Deputy-Minister of Railways at Ottawa. Their duty is to see that the railways are properly managed and that no public money is wasted or paid out contrary to law, while they act as advisers to the Minister and as his executive agents. But the Government originates and deals with all matters of general railway policy; in fact, could not very well divest itself of that responsibility under our British forms. In New Zealand the building of new lines is left wholly to the initiative of Ministers responsible to Parliament, as with us. In New South Wales the same procedure is followed only, as we see, the opinion of the Railway Commission must be obtained on the second reading, just as Mr. Schreiber's opinion may be obtained on the Drummond extension, the Canada Eastern absorption and like projects. But the report of the Commission does not determine the matter one way or the other; that rests with the Government. In Victoria, when a new line is under consideration, the Minister gets a report upon it from the Railway Commission, but here again it settles nothing. Mr. Lloyd tells us :—

"In one case I learned of, the Railway Committee of the House recommended a line which the Commissioner unqualifiedly condemned. There were only three hundred settlers in the country which was to be given the new road, and the Commissioner told Parliament that it would be cheaper to buy them all up than to build where the cost could not possibly be repaid. Notwithstanding his protest the line was recommended by the committee."

The opinion of the Railway Commissions is no more binding on the legislature than that of the Deputy-Minister in Canada. In New Zealand rates are fixed by the Minister of Railways, in the Australian Colonies by the Commissioners. But the Commissioners can neither make rates nor alter them without consultation with the Minister. They are then gazetted for the information of the public. Mr. Lloyd frankly admits that management by Commission has its weak side :—

"In all the Colonies the ultimate power over rates, as over everything, is in Parliament, but there is this difference between the Ministerial and Commissioner systems. Under the former, the dissatisfaction of the people can reach the railroads immediately, for the Ministry of the day can be overthrown by the loss of a majority. But under the other system, the Commissioners are appointed for fixed terms, and can be removed only by the joint action of both houses of Parliament through very complicated proceedings, which practically can be invoked only in cases of extreme misconduct."

If trouble occurs over rates or any other feature of management, the Minister hides behind the Commission and the Commission behind the Minister or the Act appointing it, the upshot being that Parliament can find no one to punish. When scandals arise the Minister usually shifts sufficient of the blame upon the Commission to clear himself after a fashion, yet not enough to imperil the tenure of office of the Commissioners: investigation is therefore fruitless. We know what has recently happened in the case of the

Auditor-General. That official is clothed with large statutory powers and removable by Parliament alone, yet things have been made so unpleasant for him and he finds it so difficult to do what he considers it his duty to do that he threatens to resign. Mr. Eddy, an eminent English railway man, was chairman of the first Commission in New South Wales, and Mr. Reid, Premier of the Colony from 1894 to 1899, thus described the treatment he received :

"One of the finest, one of the gentlest, one of the best men who ever lived in the world accepted the trust of coming to this country to administer our railways. He had not landed one week before epithets of the vilest abuse were applied to him (by members of Parliament under cover of privilege.) Coincident with the landing of that man in this country there was a settled vindictive conspiracy to destroy his usefulness even before he should have entered upon his great trust, and that same persistent malice dogged that man year after year until it inflicted upon him, a man of the most sensitive disposition, mental injuries which led to his premature death."

Like Mr. McDougall, Mr. Eddy was punished by the politicians for opposing their way of doing things. In all the Australian Colonies it has been demonstrated over and over again that no matter how well a Commission may be protected on paper from political influences, it is nevertheless always affected and frequently overpowered by them. If a Commissioner is weak he yields and gets along comfortably by sacrificing his trust; if courageous, he resigns rather than be a party to doubtful transactions. In a short time good men refuse to accept the office and then the flood-gates are opened. In New Zealand non-partisan management of the roads was abolished in 1893 because the Commission had offended the labor unions. In 1890 the railway employees struck in sympathy with the ship laborers but the Commission refused to recognise their right to do so. The business men and other employers of labor stood by the Commission, but at the next election the labor men secured its abolition. The Victoria Commission had a trying experience in 1889. A Melbourne paper, *The Argus*, discovered a discrepancy of \$8,500,000 between the Budget estimate and the actual expenditure, and, after a long controversy into which we cannot enter, the Commission was abolished and the railways once more placed under direct party control. The Chief Commissioner was an English railway man of distinction and the better element in the country sympathised with him. On the other hand, he had been compelled to do many things which on a Company railway would have ensured his unceremonious dismissal. The moral of it all was that a Commission which is not strong enough to resist the pressure of the politicians who appoint and environ it, may be even worse for the public interest than an unscrupulous Minister. For, as Acworth puts it, the Minister can at least be watched and exposed in Parliament by his political opponents, while a Commission can shelter its misdeeds under the cloak of its statutory irresponsibility.

In 1896 it was proposed in Victoria to establish a board of trustees, composed of business men, as advisers of the Chief Commissioner but in the end railway men were appointed to the position. Between 1896 and 1901 the Victoria railways fell into a shocking condition of deficits, muddle and disrepair arising in part from adverse natural conditions but in great part from political interference with all that it implies. Mr. Thomas Tait, a highly competent officer of the Canadian Pacific Railway, was then appointed Chief

Commissioner with full power and authority to extricate the State from its embarrassments. He has introduced the strict business-like system of the Canadian Pacific and has succeeded in cutting down expenses and improving the railways by closing useless lines and insisting on other drastic economies. In other words, finding itself in peril from the evils which State ownership breeds even under a Commission, Victoria has practically adopted the methods of Company ownership as a means of saving its property. How long it will remain in this state of grace is problematical; on former occasions, when in like case, it ceased to be virtuous as soon as the danger had passed. Mr Meyer, of Harvard, though strongly condemning Government ownership in Australia, treats of management by Commission in a fair spirit and reaches this conclusion:—

"The experiment of non-political management, or management by Commission, was successful for a few years, when judged by the low standard of attainment that people habitually, though sometimes somewhat unconsciously, apply when they judge Governmental industrial ventures. Judged by the standards which people apply to the conduct of their own business, the Commission system never attained much more than a saving remnant of success. Parliament was jealous of the Commission, and the general public had neither the intelligence nor the virtue to break with the past practice of forcing the Minister of Railways to over-ride the Commissioners and make them do things that were detrimental to the public weal, but advantageous to individual citizens, or to classes or sections. The saving remnant of success attained was due almost wholly to the fact that the internal pad-uses which had torn the railway department, and had made the various branches of the service, and sometimes even the officers in the same branch, work at cross purposes, were eliminated. Comparatively little progress was made in checking the illegitimate demands of the public on the railway department, demands enforced by members of Parliament acting either behind the scenes or in the open."—(Railway Age, Sept. 11, 1903)

Sir Robert Hamilton, who has seen the work of the Commissions at Melbourne and Sydney, writes:—"I believe that my guard upon our Parliamentary representatives in the shape of permanent Commissions appointed by them, must, as experience appears to be already showing, break down." He would appoint a standing Board of Advice, composed of non-partisans of position, "whose concurrence should be necessary before any new works could be undertaken." But then what about Responsible Government? That is far too valuable a principle to be set aside for the chance of seeing Government railways better managed. Stating it as fairly as one can in a few words, the truth seems to be that while in Australia the Commission can generally be depended on to attend properly to the details of management, it is unable from the constitution of things to resist party influences in weightier matters; and, so far as regulating rates is concerned, is no more efficient than the recently appointed Dominion Board; whilst its position as a veil or buffer between Ministers and the people's representatives divides responsibility and to that extent is pernicious.

Mr. Lloyd, who went to New Zealand in search of arguments in behalf of Socialism and of course found them, gives a glowing account of the relations between the farmers and the State railways. He describes how the Premier goes about the Colony receiving deputations which urge the alteration of this route, the construction of that new line or the reduction of such and such rates; how the people "make this railway construction and that railway reform their battle cry and refuse to vote for any candidate that will not ap-

port them," and so on. It was all new to Mr. Lloyd, who writes like an American, but is not new to Canadians. He may depend that while it is an attractive spectacle to a student like himself it is not altogether as conducive to the public wellbeing as he imagines. In the United States they carry an election by "opening a bar" if the candidate has one. In New Zealand, and quite frequently in Canada too, we do it by cutting rates on the Government railways for the time being, or raising the trackmen's pay, or building an extension out of the public treasury; in short, being of a thrifty turn, we bribe the people with their own cash. If what one set of politicians says about the other is to be believed, a reduction of rates for a particular industry or a particular district is often employed in Australia and New Zealand, notwithstanding laws to the contrary, as a means of popularising a Ministerial candidate; while the building of new lines to serve political ends is regarded as a matter of course. In Australia all the principal State railways are obliged to depart from the principle of a uniform rate per mile, held in such esteem by our Canadian railway reformers. It would be an outrage upon the distant producer if they did not depart from it, for he could not sell his crop at a profit if charged the same sum per mile as the man close to the seaboard. In railway parlance, the traffic in the latter case will bear a higher charge to enable the road to carry the traffic in the other at next to no profit. It so happens, however, that in Australia there are not so many seeming anomalies in railway management as in Canada, the United States or Europe, the reason being the absence of great inland waterways and of foreign rail competition. But they have grievances peculiar to themselves. As said, each State owns its own system of lines. Years ago Bismarck introduced in Germany the policy of employing State railway tariffs to bolster up the Customs tariff. They follow that policy in Australia, rates on exports being made low and rates on imports high to protect home industry. They go a step further, the mania for being strictly logical being almost as strong in an Australian as in a Frenchman, and protect the ports and industries of one State against those of another not only by differentiating the gauges but by clapping heavy tolls on inter-state shipments. Thus Victoria puts penalising rates on grain grown in its northwestern districts when shipped to the port of Adelaide, the object being to force the grain to the port of Melbourne which is further off; while onerous rates are imposed upon merchandise going from Adelaide to those districts. New South Wales taxes traffic coming from Victoria for home consumption in New South Wales, and refuses to connect its Riverina railways with the Victoria lines running from Melbourne, or to allow private enterprise to make the connection. Preferential wharfage charges prevail in some of the States. In Victoria five shillings per ton is charged on goods coming by water from other States, but there is no charge on goods coming from ports within Victoria. "Development rates" are also in force. At the present time the Victoria Government is paying the Railway Commissioners of that State \$40,000 a year for the purpose of defraying the loss on hauling coal from the mines of Gippsland. Coal from Australian mines is carried at a lower rate than imported coal. (1) In regard to the

(1) Official Reports of House of Representatives of Australian Commonwealth. April 14, June 8 and 24, 1904.

Rivierina matter just mentioned, the Sydney Bulletin says the farmers of that district are forced to haul by wagon to the Victoria lines, many miles away, "at a loss equivalent to 12 cents per bushel"; "this," it adds, "is how their interests are sacrificed to those of Sydney, and yet they are afraid to complain."

The forbearance of the Australians in this respect is traceable to the overshadowing influence of their seaport cities, Melbourne, Sydney and Adelaide. In early times, as now, the people flocked there in years of drought or when mining was dull. Melbourne contains about 30 per cent of the entire population of Victoria. The policy of the railways of Victoria and New South Wales might almost be described as one of building up Melbourne and Sydney at the expense of the rest of the country. When brought to task, the managers reply that it has always been so, that the political influence of those cities is very great and everything must be done for them that favorable rates can do otherwise their unemployed must be provided for by the railways in some other way. The special aid takes the form of tapering rates designed to centralise trade. Meyer thus explains it:—

"If the railway charge be 1 cent per ton-mile for the first 50 miles, 0.5 cent for the second 50 miles, and 0.3 cent for the third 50 miles, the average charge per ton-mile for a shipment of 150 miles will be 0.6 cent. That will be the cost to a merchant who is located in some small town 150 miles in the interior and makes a purchase in Melbourne. But if that same merchant buys of a wholesale dealer located in a town 100 miles in the interior he will have to pay at the rate of 1 cent per ton-mile for 50 miles. But the wholesale dealer, who had purchased in Melbourne, had already paid a freight charge of 0.75 cent per ton-mile to have the freight brought from Melbourne. So that by the time the commodities purchased of the wholesaler located 100 miles in the interior have reached the merchant located 150 miles in the interior, they will have paid an average charge of 0.83 cent per ton-mile, as against an average charge of 0.6 paid by commodities purchased directly in Melbourne. It is obvious that under these conditions it will be impossible to establish a distributing trade in the intermediate interior towns. And that has been precisely the experience of each Australian Colony."

In Canada rates are fixed on the basing-point system, which decentralises trade by giving the dealer in the smaller towns a chance to compete against the wholesaler in Toronto or Winnipeg. It would be next to impossible to make an intelligible comparison of freight rates owing to their hauls being so much shorter than ours, which on paper would make their rates per mile work out higher. Taking everything into account, however, freight rates on Canadian railways are probably not quite as low as in Australia, but our service, as might be expected from their having so much narrow-gauge road, is decidedly better and more expeditious. Canadian passenger rates are on the whole higher than theirs, their population being largely urban and suburban and not scattered for four thousand miles across a continent. Wheat rates with them are comparatively high. Meyer figures that wheat is carried from Chicago to Liverpool for the sum which the Victoria railways charged a short time ago for carrying it from the Murray River to Melbourne. When the farmers go to the Government and ask for lower rates to meet a sudden fall in prices they are told that rates are like Customs duties, they cannot be altered without disorganising the Government's estimates of revenue, consequently they will not be altered till next year. At other times rates are reduced to meet special circumstances by voting a direct subsidy for the pur-

pose. Thus, as in the coal case just mentioned, the toll on wheat is reduced by the Treasury giving a credit to the Railway Department for the amount involved in the reduction. The revenue of the department is thus made to appear larger than it is and the deficit smaller, but the expedient does not reduce the burden of the taxpayer. •

Herbert Spencer said that whereas the function of Liberalism in the past was that of putting a limit to the power of kings, the function of true Liberalism in the future would be that of putting a limit to the power of parliaments. If Liberalism should ever undertake that task it will find ample scope for its energies in Australia. Sir Henry Wrixon, formerly attorney-general of Victoria, is quoted as saying :—

"The many functions undertaken by the Australian Governments, and the large measure of assistance that they render to districts out of the general revenue, enfeeble the position of the representative and impair the public spirit of the constituencies. Each locality naturally seeks to get as much as it can, and for this purpose wants rather an agent to look after its interests than a statesman to take care of those of the country at large. The representative is harassed by a divided duty. This I take to be the greatest impediment to statesmanship in our ranks, and the more Socialistic Governments become the greater is the danger that Burke's prophetic fear may be realized, and 'national representation be degraded into a confused and scuffling bustle of local agency.' The forbearance of many constituencies toward a member whom they respect upon public grounds, and the sense of duty to the State of members of Parliament, have so far done something to mitigate the worst results of this principle. Yet we all feel the burden of local work, and how, at times, it conflicts with public duty. This position of our Governments, as the greatest single employers of labor and the greatest disbursers of money in the community, naturally promotes the formation of small parties in the legislatures to secure what they consider justice for the interests they represent. Thus we have among us country parties, mining parties, and all the interests that look to State protection of industries; while our powerful civil service associations have often made their weight felt both inside and outside Parliament. The cities are always and naturally combined, and able to conserve their own interests. They return the members of the Labor Party."

The State in Australia has nursed and dandled the labor unions until, like the magician's famulus, they have got beyond control of their master. On the railways they interfere with discipline, purchases, appointments and apparently everything else. They now demand that the Compulsory Arbitration Act shall be made applicable to railway employees and other Government officials; in other words, that the pay of civil servants shall not be fixed by the legislature but by a tribunal not responsible to the people at large—a "reform" that has a serious bearing on the future of Australian institutions. Just now the burning question in Australia and New Zealand is, How shall we get additional population to share the enormous burden contracted for State railways and other Socialistic luxuries? Population is stationary in most and declining in some of the States, notably Victoria. The unions furiously oppose a vigorous immigration policy on the ground that it might lower wages and break down their monopoly. The measures they have compelled the legislature to adopt, coupled with those they enforce themselves, for the suppression of the "scab" and the apprentice have the effect of driving population

away (1). Labor unions are excellent institutions in themselves; they furnish the wage-earner with a foothold in the struggle for existence and benefit society by drawing him up to a higher level. But when they are transformed into weapons for oppressing the non-unionist, overaweing the legislature or excluding population from a new country, there is little to choose between them and any other despotism.

State management of railways has led by logical stages to State management of other industries, the labor unions outvoting or whipping into line the few who have protested. In Victoria the State has fixed a minimum wage in 56 different trades and occupations. By a well known law, known as Gresham's law, where two sorts of money are circulating together in excess of the requirements of a community the inferior always drives out the better, because of the natural desire of men to pay their debts and effect their purchases with the least valuable commodity that will answer the purpose. From an analogous cause, a minimum wage established by law soon becomes the maximum in practice, the best mechanics who could earn more than the botchers being forced out of the country. This has happened in Victoria, where the skilled labor is now decidedly inferior to, though in many trades better paid than skilled labor here or in the United States. The population of Victoria is 1,200,000, say 240,000 heads of families, of whom 22,500 or nearly ten per cent. are Government employees. Old age pensions, seven shillings a week, are paid to every man and woman reaching the age of 60 if they have resided twenty-five years in the Colony. This item costs \$1,500,000 a year, and pensions and gratuities for Government employees over \$2,000,000, making the pension roll \$3,500,000 a year, or more in proportion to population than that of the United States, which had whole armies to take care of after the Civil War and has been swindled by pension agents. The Victoria Government owns and manages waterworks, telegraphs, telephones, harbors, docks, etc., in addition to the railways, while the municipalities own the electric light and gas. There and in the other States and New Zealand, the State manages insurance, bonuses sugar mills, grist mills and butter factories, advances money to settlers on their produce, deals in wine and frozen meat, gives export bounties on dairy products, supplies water to mines, carries children to school free of charge and performs a variety of other services in most cases at enormous cost to those served. Naturally it fails to produce a self-reliant race, the people, as H. De Walker says in his "Australasian Democracy", doing as little as possible for themselves, having been taught "to look upon the State as a gold mine from which they can draw permanent dividends." So they could while the borrowed money lasted, but to-day they are poor and broken in spirit, with no very bright future.

The lesson for us is clear. Once commit ourselves to a nationalised Transcontinental railway and the nationalisation of all other railways must follow, by which time, the spirit of private enterprise having been under-

(1) Writing of the decrease of population in Victoria, the Melbourne correspondent of the London Economist (July 9, 1904) says:—"There is a constant stream of emigration of some of the best male adults, mostly to other Colonies. Want of cheap land ready for cultivation is accountable for many of the departures, while the factory legislation is responsible for the exodus of young men thrown out of employment by the regulation of the number of improvers and apprentices to adult workers."

mined, we shall be eager for the rest of the Socialist programme, only to land with Australia in a Serbonian bog of debt and degeneracy. Our collapse would come more quickly, for whilst Australia is a continent away by herself, we lie alongside a great English-speaking people, fanatics for individualism, who would speedily drain us of our men and money if, unadmonished by her fate, we were to start on the same wild career.

CHAPTER IV.

STATE OWNERSHIP IN CANADA.

The State in Australia undertook the construction of railways because all the capital that came to the country in early days found it more profitable to exploit the diggings. The first General Railway Act of the old Province of Canada offered State aid to Companies in the form of guarantees. After fifty years, during which we have granted aid in a variety of other ways, we are returning to the same plan. This Act (12 Vict. Chap. 29) set forth that when a Company had expended upon a road, forming part of a main trunk line, one-half of the amount required for construction, the Government might guarantee interest on the loans necessary to complete the other half taking as security a first mortgage on the entire line. Foreign capital showing no disposition to take hold on these terms, Sir Francis Hincks in 1851 announced that the Government of the day would resort to State construction, with, he hinted, State operation. But the various projects then in the air came to nothing. The Grand Trunk was organised shortly after and State ownership was not heard of again until the Act of Union provided for the building of the Intercolonial between Quebec and Halifax. It was probably fortunate that the Hincks scheme died in birth. We can form some idea of what would have happened under State ownership of a road from Toronto to Quebec, which he contemplated, from the fact that the presence of six active politicians on the Canadian board of directors of the Grand Trunk contributed materially to the scandals with which that enterprise was at once beset.

When the construction of the Intercolonial was first suggested by Fairbairn and others, the design was to build from Quebec to St. Andrews, N.B., a distance as the crow flies of 225 miles. This would have given us an excellent winter port within comparatively easy reach of Montreal. But, as ill luck would have it, the Ashburton Treaty of 1842 deprived British America of the Aroostook country and crippled communication for all time between Upper and Lower Canada in the west and the seaboard Provinces on the east by projecting the northern boundary of Maine upward like a wedge between them. Moreover, when Sir Sandford Fleming commenced surveys for the Intercolonial in 1864 he was instructed to "pay attention to the distance of what may in other respects appear the most eligible route from the frontier of the United States." At that period Britain and the United States were not on the friendliest terms and military considerations were of greater importance than the commercial aspect of the railway. Mr. Fleming pointed out that :—

"In seeking to avoid the great military objection to any line in close proximity to the American boundary, we unfortunately increase the engineering difficulties; as in looking for a line sufficiently distant from the frontier, unless we at once go to the other side of the Province (New Brunswick) and thus considerably increase the length, we are driven into a section of the country characterised by great irregularities of surface and difficult to penetrate."

Mr. Buck, another engineer, observed that experience in the American Civil War had shown that in building a military railway the best plan was not to place it at an inaccessible distance from the front, but, on the contrary, as close as possible to the line of defence. The roundabout military route along the Baie de Chaleurs was finally chosen, the Colonial Office favouring it; and thenceforth the Intercolonial was doomed, like the Rideau Canal, another military work, "to drag out a burthensome existence in peace that perchance it might be useful in war." Even that chance was denied it, for its first western extension, through the purchase from the Grand Trunk of the road between River du Loup and Levis, carried it within 30 miles of the American frontier. Twenty years later the Canadian Pacific, a commercial line, ran through Maine on its way to St. John, the Dominion Government subsidising it. According to plans recently filed, the Canadian Northern, another commercial line, striving to reach the Atlantic from the head of Lake Superior, intends on leaving Quebec to traverse Maine en route to a Nova Scotia port; and no doubt its Maine section will also receive a subsidy.

Those who argue that the poor financial results of the Intercolonial should not be taken as a measure of the probable financial outcome of all other State railways that might be built in Canada inasmuch as it was devised in great part as a military line, forget that in constructing railways the State is bound to keep military and political ends in view. In Continental Europe they are paramount. For obvious reasons Australia is able to ignore them, but, situated as we are, the State could not afford to set them aside on all occasions. Even where no danger from the United States actually existed, it could readily be conjured into existence by those whose interests lay in doing so. In the case of the Grand Trunk Pacific, the Maritime Liberals, who desired to do something for their constituents, had no difficulty in persuading the rest of the Liberal party that the transport of Manitoba wheat to Portland might prove fatal to British connection; hence the building of the Quebec-Moncton section was the only truly loyal policy.

There are other and better grounds for refusing to take the Intercolonial as a fair sample of what the State would give us if State ownership of railways were established throughout Canada. No road is more exposed to water competition. There is not a town or village in Nova Scotia over 35 miles from tidewater. From Sydney to Halifax and St. John on the one side and from Sydney to Quebec and Montreal on the other, the Intercolonial has to compete with sea routes for half the year at any rate. The rail competition to which it is subjected in hauling through traffic to and from Western Canada is exceptionally severe owing to the immense advantage in distance possessed by the Canadian Pacific route from Montreal to St. John. Again, the Intercolonial is essentially a railway of low-classification freight, the bulk of its traffic being coal, ore and lumber, articles on which comparatively little can be earned, especially under stress of water competition. For example, the

road cannot move coal to Montreal in summer against a water rate of 68 cents per ton. In winter it has to meet the coal stored in Montreal during summer; in fact, could not carry it at any profit then but for the fact that, its west-bound traffic being light, it can ship coal to Montreal in cars which otherwise would have to be sent thither empty for the traffic going east. Because of these and other physical drawbacks peculiar to itself the Intercolonial was foreordained to come to grief financially, so long at least as it remains a State institution. But while no fair-minded person will hold it up as the best the State could do in other portions of Canada, its history is nevertheless full of instruction, telling us a great deal more about what would probably happen in the details of State railway management here than we can learn from the performances of the State in other countries or evolve a priori out of our heads.

In 1877, when the road was supposed to be completed and the capital account closed, it embraced 720 miles of railway, the cost of which had been \$36,000,000. In 1903 there were 1200 miles and the capital account had been swollen to \$70,500,000. The following new lines and extensions had been added in the interval :—

	Miles
Riviere du Loup Branch	118
Cape Breton Railway	96
Eastern Extension Ry. of N. S.	81
Drummond County Railway	130
Oxford & New Glasgow Railway	74
Dartmouth Branch	12
Dalhousie Branch	7
Indiantown Branch	14
Pictou Town Branch	14
St. Charles Branch	14
Riviere du Loup Wharf Branch	2
Rimouski Branch	4
Halifax Cotton Factory Branch	1
Stewiacke Branch	1
Sackville Branch	¾
Courtney Bay Branch	1
Dorchester Branch	1
	<hr/>
	570¾

The Canada Eastern is about to be absorbed and last session members on both sides of the House favored other absorptions. How many of these additions were built or purchased for party reasons, we shall not stop just now to enquire. When the acquisition of the Canada Eastern was before Parliament Mr. Haggart said of it :—

"The Deputy-Minister makes the calculation that to put the road in running order, without rolling stock at all, will cost \$547,000. Here is the transaction in all its nakedness :—A road 136 miles long on which you will have to spend \$600,000 to put it in running order, the gross earnings from which are \$116,000 a year and the net revenue \$24,000. And we are asked to spend \$1,400,000 to acquire that road. It would be better, in the interests of the country, that the sum was made a present of to Mr. Gibson, the present owner, or pitched into some bog hole on the Intercolonial, because the road will entail a loss to the people for all time to come of a large sum apart from this expenditure."

Much the same was said by Liberals of the subsidiary lines built or acquired while Mr. Haggart was Minister. From 1868 to 1902, a period of 25 years, the working expenses of the Intercolonial amounted to \$92,000,000 and receipts \$84,000,000, leaving an aggregate deficit of nearly \$9,000,000; while over and above this we had to pay the interest on capital account, which now comes to \$2,000,000 a year. Rates are lower by from 15 to 25 per cent. all round than on the Grand Trunk or Canadian Pacific. This much must be set to the credit of the Intercolonial, but it is plain that, when that is done, there still remains a heavy cash debit against it.

Without dwelling further on the loss in money, which as said has to some extent been unavoidable, let us turn to what may be styled the moral loss account. In the report of the Civil Service Commission for 1892 occurs the following dialogue between the Commissioners and Mr. Schreiber, Deputy Minister of Railways, on the subject of land claims against the Intercolonial :—

“Q—When you come to go through farm lands or wild lands, do you have much trouble?”

A—There is an instance of a piece of land that was taken for the Intercolonial as a gravel pit in the wild woods near Gloucester Junction for which the Government offered \$5, I think. Afterwards they increased the offer somewhat, hoping thus to settle the matter. The owner is now claiming \$70,000.

Q—The matter is not closed yet?

A—It is not closed. I am merely mentioning the claim as a sample.”

As a matter of fact, the local politicians who engineered this claim succeeded in obtaining \$16,000 from the Government. At the same examination Mr. Schreiber said a word about the extravagant cost of the St. Charles branch and closed that part of his testimony with the pathetic observation :—“It is, I think, unfortunate that the public mind seems to be pervaded with the idea that one has a right to get all one can out of the Government.” The St. Charles branch now forms part of the main line of the Intercolonial between Hadlow and St. Charles Junction. Formerly the road ran in the rear of the town of Levis but the St. Charles branch carries it along the St. Lawrence immediately in front of the town. When the construction of these 14 miles was recommended, Sir Charles Tupper, then Minister of Railways, and Mr. Schreiber estimated the cost first at \$350,000 and finally at \$600,000, which was to include compensation for all the land and buildings required. The actual cost exceeded \$2,200,000. The land cost four times the official estimate. Some lots with ramshackle buildings sold at the rate of \$500,000 an acre. For sundry other lots the Government paid eight times the municipal valuation. Many of the owners got their claims through by sheer dint of perjury and false pretence, one swearing in behalf of the other. There is ground for saying that certain politicians obtained a large share of the proceeds which they employed in buying the votes of these same people or of people elsewhere, one crime begetting another. These two illustrations—many more of a like kind might be given—show how State ownership not only piles up deficits but inflicts moral injury on all concerned by the perverted notions of right and wrong which it engenders in a community like ours.

Turning from construction to management, let us see what a capable railway expert employed on the Intercolonial a few years ago has to say as to the moral loss account. (1) His report had to do principally with what had gone on under Conservative rule, but precisely the same abuses flourished under Liberal rule at that time and no doubt are still flourishing. The document is quoted here not for the purpose of making capital for or against either party, but to bring to light a little of the inner history of Government operation as we have it.

First of all, it was a rule to practice discrimination in favor of those shippers who were friends of the party in office. Discriminating rates could not be given without exposure in Parliament, consequently under-billing was resorted to. A and B are lumbermen at Bathurst. A is a Conservative, B a Liberal. A is allowed to ship up to 45,000 pounds of lumber or pit-props in a car but is charged for only 24,000 pounds; while B is obliged to pay for every pound he ships, for the standard load and for all excess to boot. This mode of swindling the Government while injuring its opponents has doubtless driven scores of traders into bankruptcy. A railway whose management is bottomed on party politics, or at any rate largely influenced by them, is bound to be an engine of injustice to the minority for the time being, that is, to about half the community it serves. It was a regular practice, too, to grant rebates to partisans, that is, having paid the published rate for their freight, these favorites received back a portion of it from the Intercolonial treasury, and were thus placed in a better position than rivals not so favoured. The rebates ranged from 15 to 50 per cent. In many cases the rebate left the railway so little, the rate in the first place having been low, that transportation was done at a loss. Abuses such as these are prohibited by the Railway Act, but, curiously enough, the State railways in Canada, which ought to set an example to the rest, are specially exempted from the provisions of that law and permitted to do what they please. Then there was a system of secret agreements. A firm which had the ear of a member or two was granted special rates, rates that did not pay the cost of haul, by an agreement of which no record appeared in the files of the road. To speak plainly, it was a corrupt agreement and an official record might have been awkward. The powerful coal and iron industries of Nova Scotia virtually received bounties in this way, in addition, of course, to the protection they enjoyed under the N. P. There were cases where lumbermen and others, in favour with the governing party, were allowed to ship their products at nominal weights, loading 40,000 pounds on the car and paying for only 20,000, yet by virtue of a secret agreement they received rebates amounting to 25 per cent. The road was really carrying 40,000 pounds of freight and getting paid for only 15,000. Of course, business competitors on the wrong side of politics soon disappeared.

What a world of injustice and oppression, if one stops to think of it, lies in this secret billing, secret agreements, secret rates, etc. The Minister has

(1) Report by Mr. A. H. Harris, August, 1898. Mr. Harris, who had been for years a valued officer of the Grand Trunk, was appointed general traffic manager of Canadian Government railways in 1897. He is now in the service of the Canadian Pacific.

almost as much power for evil as the old Kings of France with their *lettres de cachet*. When the change of government took place in 1896 the Liberals, who had suffered for eighteen years, insisted that the Tories should be treated by the Liberal Minister as the Conservative Minister had treated them, the spoils being for the victors. Here is how Mr. Harris describes the uproar that arose among them when he sought in 1898 to manage the road according to the methods of Company ownership :—

"Traders who had been accustomed to receive allowances, to the disadvantage of other merchants in like business, naturally did not propose to see their income reduced without a struggle, and every conceivable argument, whether based on truth or fallacy, was used to discredit the Traffic Management. Prominent merchants and traders intimated to me that if I would guarantee to them a continuation of their rebate arrangements, they had sufficient political influence to curtail adverse criticism on the new tariffs—a proposition I could not of course entertain. Every shipper who had been accustomed to use the railway on his own terms felt that he had a grievance; political interests were invoked, constituents brought pressure to bear on members, members in turn on the Minister, and those of us who were endeavouring to do what was right were driven to the wall."

When not designed to favor party friends the methods in use on the railway were usually slack and unbusinesslike. Agents neglected their duties, conductors and brakemen were appointed and retained on account of political services; there was no system of checking way bills, there were weigh scales in abundance but no organised system of weighing, the result being that the rolling stock was frequently damaged through overloading; third, fourth and fifth class rates, covering what is known as shed freight, which has to be handled by the railway, were in many instances lower than rates for the seventh, eighth and ninth classes; obsolete and contradictory tariffs were in force at many points while at others political tariffs were used, as we learn from another source, to promote a change of heart in prominent opponents. The coal companies, with hundreds of voters in their employment, were regularly "squared"; they sent in independent tenders for the coal to be furnished to the Intercolonial but were allowed to combine in advance upon exorbitant prices. No doubt they could plead in mitigation that they had to subscribe to the fund for debauching the people whom they were thus robbing. The number of employees on the Intercolonial was and is out of all proportion to its requirements. A glance at the time card will show that it is also overburdened with stations. Relatively to mileage and population it has probably twice as many as any Company road in Canada. This, it may be said, shows that the people along the line, passengers and shippers, are properly attended to. But it also shows that politics are not neglected; the more stations, the more station houses and station grounds to be bought from or built by partisans, and the more patronage in maintaining and manning them. On one occasion when Sir John Thompson was Premier, the Minister of Railways was requested to make both ends meet on the Intercolonial, no matter at what cost to the party. The Minister or some one in his behalf forthwith recommended that 800 employees of various grades should be dismissed on the spot. But as any Ministry which undertook such a cleansing would infallibly come to grief, nothing was done. It is safe to say that if Mr. Emmerson were managing the Intercolonial for a Company he would get rid of more than that number to-day with advantage to the service.

Some of the evils which Mr. Harris describes date from a very early period. When the Liberals under Mr. Alexander Mackenzie took office thirty years ago they appointed Mr. Brydges General Superintendent, gave him a free hand and instructed him to manage the line on business principles. Mr. Brydges had been general manager of the Great Western and Grand Trunk and was a man of conspicuous ability. Mr. L. H. Holton, a Liberal of note in the House, had characterised the Intercolonial as a "sink-hole of corruption, fraud and embezzlement." Mr. Brydges' first reports in 1874 went some way to justify that severe condemnation. His predecessor, Mr. Carvell, was asked to explain certain ugly facts but all he could do was to throw up his hands and exclaim almost in so many words :—What can a railway chief do when politicians are imposing incompetent subordinates upon him and championing them when they become defaulters? How can he make the road earn working expenses when, besides keeping a swarm of drones, he has to purchase his supplies not in the cheapest market but in the dearest, from partisans looking for their reward? What chance of enforcing equal rates and fair-play for all when he has to advance the interests of political adherents and ruin the merchant who votes the other way? In reply, Mr. Brydges allowed that it was only too true that "many of the appointments, especially of the principal officers, had been made absolutely for political reasons, and they had been kept in their places, notwithstanding their notorious inefficiency, because of the political influence they were able to bring to bear." (1) Mr. Brydges himself came to grief for being too business-like. One of his first acts was to suspend a leading officer for dishonesty. The case was referred to Ottawa, and, though Mr. Mackenzie was an honest man who tried to do his duty, the Maritime politicians overpowered him and the official in question was reinstated. Mr. Brydges did the best he could under such cruel conditions to improve the service, but provoked a storm on applying a tariff that, while it brought no direct profit to the road, saved it at all events from loss in operation. He was removed from office by the incoming Government after 1878. Writing from his experience he said that "it was utterly impossible for any Government in Canada to conduct a railway as it ought to be conducted. No matter how great the power the head of the railway might have, he could not escape the malign influences of party, which permeated every branch and rendered his best efforts of no avail." Where Mr. Mackenzie and Mr. Brydges failed, no one in our day would be likely to succeed in establishing a business management of the Intercolonial under Government auspices.

The construction of the railway was committed at the outset to a Commission which was fairly non-partisan and which, on the whole, appears to have been a competent body. The chairman, Mr. Aquila Walsh, was a member of Parliament and the Opposition declared that his appointment was a violation of the Independence of Parliament Act. There was really no other way of keeping the House informed of the progress and details of the work. The records show that, in spite of all they could do, the Commissioners were dragged here and there and everywhere by the politicians. Everyone knew

(1) Mr. Brydges' reports and letters, June 20, August 18, and Oct. 31, 1874, and Mr. Carvell's letter, Oct. 3, 1874.

that the work was a Government work and that the way to circumvent the Commission was to get at the Government and its supporters; and this office-seekers, contractors, engineers, supply-houses and all having axes to grind proceeded to do. Through some blundering a number of contracts were let at too low a figure and the contractors were ruined. In other cases men without experience as contractors but possessing political influence purposely tendered low in order to obtain work, and came out with large profits through the manipulation of the specifications or allowances for extras. Things grew so bad that Sir Alexander Galt, a man of high ability and character, brought forward this resolution :—

"That the present system under which the Intercolonial is being constructed as a public work of the Dominion is expensive and unsatisfactory; that it is not in the public interest that the Government should be charged with the maintenance and working of railways; and that in the opinion of this House both the construction and future operation of the line should be committed to private hands."—(House of Commons, April 12, 1870.)

Sir Alexander dealt with the case of the small Provincial Government railways in New Brunswick and Nova Scotia, showing that they had not been successfully managed by the State, and reviewed the scandals that had arisen on the Intercolonial with the immense waste of money entailed by carrying on construction as a Government work. Mr. Walter Shanly, the eminent engineer who built the Hoosac tunnel, was a member of the House at the time; he too showed that State ownership had proved a failure in Nova Scotia and New Brunswick and strongly urged the Government, of which he was a supporter, to place the construction and operation of the Intercolonial in private hands as a means of saving millions of money in the future and preventing the further contamination of public life. A similar motion was introduced by Mr. Jones of Leeds and Grenville, an independent Conservative. He was weary, he said, of seeing Ministers, when misdeeds came to light, hiding behind the Commission while the Commission on their part shuffled the blame on Ministers; and desired that the Commission should be abolished and the Cabinet held to strict responsibility according to the well-known principle of our constitution. Sir John Macdonald in these debates pointed out that the construction of the Intercolonial had been assumed by the Government only because the road had to be built in a hurry in order to obtain an Imperial guarantee to which a time-limit had been attached. He was tired of the clamor in Parliament and the newspapers about frauds and shortages, bankrupt contractors and contractors who had made a fortune with suspicious ease; and said that while the "construction of the road was one thing the working of it was another, and after construction the Government might lease it to the Grand Trunk" or some other Company. In 1872 he and Sir George Cartier took care to provide in the original resolutions concerning the Canadian Pacific that that railway should be built by a Company. Speaking at Kingston in the election campaign of 1872, Sir John said :—

"We propose to build this Transcontinental railway by means of a Company. Why? Because, as you know, we have learnt by what we have gone through on the Intercolonial that railways can be constructed and operated more cheaply, more efficiently, more advantageously in every way by a Company than by a Government. If our friends the Grits had had the Intercolonial in hand they would have experienced just the same trouble that we have. They would have discovered that while it is easy when you are out of office to talk of running things as you would run a counting-house,

it is very different when you are actually the Minister. You have then to resist the importunities of powerful friends or yield to them as the case may be. You have a hundred men looking for one contract or one office, each of them coming down on you like an army with banners. You have your merchants wanting to sell supplies at their own figure, the workman threatening you if you do not increase his pay, and claims which a Company road would never entertain rising up against you night and day and calling for settlement on pain of having the claimants go over in a body to the Grit party to get the fair and honest treatment that you deny them. Mr Mackenzie says he is a practical man but I wish him joy if ever he has to conduct the Intercolonial from Ottawa."

Circumstances compelled Sir John Macdonald and Mr. Mackenzie also to carry on the Canadian Pacific for a time as a Government work, but at the first opportunity Sir John turned it over to a Company again, saying on that occasion :—

"The Government had every right to use all their exertions in order to relieve themselves and the country of the obligation of building this road and of the still greater obligation of running it. We see this in the Intercolonial and in every public work. Why, Sir, it is actually impossible for the Government to run that railroad satisfactorily. The men that we put on the road from the porter upwards become civil servants. If one is put on from any cause whatever, he is said to be a political hack. If he is removed, it is said his removal was on account of his political opinions. If a cow is killed on the road a motion is made in respect to it by the member of the House who has the owner's vote as support. The responsibility, the expense, the worry and annoyance of a Government having charge of such a work, are such that, for these causes alone, it was considered advisable to get rid of the responsibility."—(Hansard, January 17, 1881.)

Dr. Sproule who was a leading Conservative in the House then and occupies an even more influential position in the House to-day, was quite of Sir John's mind. He said :—

"In every instance where I have been able to take the sense of the people, I have invariably found that it was their desire to have the railway built by a Company and not by the Government. The history of the construction of all public works shows that they cost more when constructed by the Government than when constructed by private Companies. We have had some little experience of running railroads in Canada and we may ask, if it cost us in one year \$716,083 to run the Intercolonial Railway, a road 800 miles long, passing through three settled Provinces where there is a large trade, what must be the cost of running a road 2,700 miles long, running for nearly its whole length through a country that is unsettled?"—(Hansard, January 20, 1881.)

Dr. Sproule now favors Government ownership and operation of a railway that will be 3400 miles long and will run through a country unsettled for at least 2500. Still, we prefer his earlier judgment. No man in Canada has had more experience of Government railways, as Minister in charge of the Intercolonial and as a Nova Scotian familiar with the old Provincial Government system, than Sir Charles Tupper, whose views on the subject are given further on. Sir Wilfried Laurier has undertaken to build the Moncton-Winnipeg section of the Grand Trunk Pacific at the Government expense. This may or may not be defensible on the ground that no Company, unless very generously subsidised, would ever build there, and that the opening of the vast back country of Central Brunswick, Northern Quebec and Northern Ontario is necessary to promote the growth of those Provinces. But if he is wise he will be warned by what took place on the Intercolonial, even as late as the

construction of the St. Charles branch, and allow the work to be done by the Grand Trunk Pacific, which, having to pay interest on cost, would have a strong motive for doing it as cheaply as possible. Construction by Government would no doubt suit the party politician, but could not fail to give rise to scandals hurtful to the Government and the public name.

The Pacific Scandal, which resulted in the defeat of the Macdonald Cabinet in 1873, took place during the preliminary negotiations with a Company. From 1874 until 1881 the construction of the first Transcontinental line was carried on by Government, and there were scandals all through, together with considerable bungling and delay. During Mr. Mackenzie's premiership, Conservatives dwelt on an improvident purchase of 50,000 tons of steel rails, on frauds in connection with the Fort Frances lock, the Neelburg Hotel, &c. On his defeat in 1878, Government construction was continued by his successors with no better results. Portions of the line between Lake Superior and Winnipeg were purposely diverted into a rocky country to create work for a large firm of contractors which was "financing" elections. Some years later a resolution to enquire into the relations existing between this firm and certain Ministers and members was voted down. The changes in the specifications on Section 15 added enormously to the cost; here again the contractor was "financing" politicians and newspapers. The portion built by Government in British Columbia was notoriously "scamped." In the books the Canadian Pacific Railway Company figures as the recipient of Government-built sections worth \$37,000,000, whereas it cost the Company many millions to bring these sections up to the proper standard; indeed, but for a desire to open the line from end to end as quickly as possible, the Company would have refused to accept some of them and have built at its own expense along more provident and economical routes. What Government construction means in too many instances was illustrated a few years ago by the revelations in the case of the Quebec Harbor Works, when a Parliamentary Committee found that over \$800,000 of public money had been stolen. Two of the contractors were sent to jail for a few weeks, one of whom, on being released, was forthwith re-elected to Parliament; but the prime offenders were the Ministers who exacted immense sums from the contractors under pain of closing them up at various stages, and then allowed them to recoup themselves by "scamping" and other devices. In a famous pamphlet of the time it was stated that "every Government contract of importance is milked for the party fund"—an accusation which, so far as enquiry was allowed, proved to be well founded, and is probably just as true today.

Our system of letting Government contracts is altogether vicious. In the United States Federal public works are put in charge of army engineers. The specifications are drawn with minute care and "extras" not allowed except where the work has been changed by authority of Congress, or for some other equally good reason. Tenders are opened on the appointed day in a public place; in fact, the transaction from beginning to end is done above-board. Now and then an engineer like Carter may be corrupted, but as a rule public works in the United States are executed for far less money than in Canada, where the contract is let in secret, nothing being known of the details till Parliament meets; if then; where the engineer in charge serves

under a Minister who can generally manipulate him; and where "extras" are not the exception but the rule. The new Congressional Library at Washington cost a million less than the estimate. At Ottawa it would probably have cost a million or two more. How much has been wasted on the Intercolonial in order to carry elections or replenish the party chest, no one can tell, but it must be a truly huge sum. Hansard in the last thirty years contains hundreds of speeches, now from Liberals, now from Conservatives, vouching for extravagance, fraud and dishonesty in every conceivable form. Making allowance for exaggeration, the case is a shocking one, one which, if repeated on the larger scale of a Transcontinental road, would come near ruining the country.

It is significant that the existing subsidy policy has been more flagrantly abused within the sphere of influence of the Intercolonial than anywhere else in the Dominion. The people of Eastern Quebec and the Maritime Provinces are neither better nor worse than the rest of us so far as their proportion of original sin is concerned; but if we could elicit their honest opinion they would tell us that the State management of that road has done something to impair their self-reliance and set up dependence on Government in its place, as well as to sanctify waste and deaden the public spirit generally. In the investigation of the Baie de Chaleurs Railway, a road which would never have been built but for the State aid in prospect, it was shown before a Senate Committee in 1891 that the enterprise had been robbed from start to finish by politicians on both sides. The Temiscouata, the Quebec and Lake St. John, the Montreal and Western, the Montreal and Maskinonge, the South Shore and other lines in the Province of Quebec, received enormous bonuses, a considerable percentage of which, not to mince matters, was stolen by the promoters, or "transferred" to the bribery fund, or spent in the purchase or maintenance of party newspapers.

In some cases the subsidy has been used as a decoy for catching the British investor, who takes for granted that a line subsidized by the Dominion or by a Provincial Government must have some merit in it, and buys the bonds only to discover that his confidence has been misplaced. The Salisbury and Harvey road of New Brunswick, formerly the Albert, which was foreclosed for the second time in 1899, was built in great part with British capital obtained to some extent on the strength of a highly-colored prospectus, but principally because of the bonuses given to it by the Dominion Government and the Government of New Brunswick; yet the road was afterwards characterized in Parliament by the late Professor Weldon as a "deplorable swindle." A band of Maritime promoters induced the Dominion Government to take hold of the Chignecto Ship Railway, for connecting Northumberland Strait with the Bay of Fundy; and Parliament voted a large subsidy, the annual payments of which were to begin on the completion of the enterprise. Armed with these promises, the promoters went to England and enlisted capitalists, who began construction. Owing chiefly to a blunder on the part of the Dominion Parliament, the Englishmen were unable to complete the undertaking within the specified time, yet when they applied for an extension they were refused it, although they had then sunk \$4,000,000 in the work. They are now pressing a claim against the Dominion, and will probably have to be settled with on moral rather

than on legal grounds. This affords a striking example of the way in which the State may be committed by the politicians, who are themselves the State, to enterprises of the wildest character, devised to "carry Cumberland." It is equally instructive as showing how, when the public conscience has been weakened by just such performances, the State is liable to drift into repudiation. The reason why an extension of time was refused to the Chignecto Company was that, had the Company been allowed to complete the Ship Railway, the Government would thereupon have had to begin payment of subsidies to a work which it knew to be absurd and useless. The State, in short, took advantage of its own error to back out of its engagement. Australia was saved from the loss and shame of an inconvertible paper currency only by the action of one of the Governors. In 1866 the Government of Queensland, Mr. Macalister being Premier, introduced a measure authorizing the issue of inconvertible Government notes and making them a legal tender. Sir George Bowen, the Governor, warned them that he should refuse to sanction the bill. The Premier pleaded that no more loans could be floated, and that it was necessary to provide employment for the poor, to which Sir George retorted that it was equally necessary to maintain the public honor. The Ministry resigned in consequence. Indignation meetings were held at which "threats were uttered of burning down Government House, and treating me as Lord Elgin was treated at Montreal in 1849." (1) As the issue of such notes would have resulted in the payment in depreciated paper of all the public and private loans borrowed in England, Sir George was in a position to say that the bill affected Imperial interests, and that he was bound to refer it for review to the Imperial authorities. This plea for refusing to sanction bills of that character has protected other States from the evils of partial repudiation. Had the Australians been at liberty to elect their Governors, as the Americans are, such a safeguard would not have existed.

All told, we have spent in Government railways and subsidies to Company railways within a fraction of \$250,000,000. This includes Federal, Provincial and municipal expenditure before and since Confederation. In addition, the Canadian Government has guaranteed interest on railway bonds, and we have had Imperial guarantees on the Intercolonial; besides which we have voted to railways about 60,000,000 acres of land, equal to three times the cultivated area of Ontario. That the policy of State aid has on the whole been advantageous is not denied, but the time seems to have arrived for allowing Companies to build the smaller lines at any rate without assistance. In a country so vast it will probably always be necessary for Government to help the construction of trunk lines penetrating the uninhabited wastes in the north, but there would appear to be no further necessity for bonusing local lines in the older Provinces. At present there are sixteen or seventeen small Company railways east of Montreal in a bankrupt condition. All have been bonused by the Dominion, or by Provinces, or by both, and an effort will soon be made, following the example of the owners of the Canada Eastern, to unload them on the Intercolonial. Such a step, as a New Brunswick Con-

(1) "Thirty Years of Colonial Government, from Official Papers of Sir G. F. Bowen," Vol. I, pp. 250-269.

servative member said last session, "would suit both political parties," Conservatives as well as Liberals having been interested in their promotion; but it goes without saying that the Federal taxpayer will suffer. (1)

A good many persons advocate State ownership because they desire to stop the subsidizing of Company lines in order to prevent corruption and waste. But, if they will reflect a moment, they will see that this would be jumping from the frying pan into the fire. In the case of subsidized Company roads the promoter has to comply with certain formalities; he has to raise money for the preliminary surveys, to go before the Railway Committee and obtain its approval, and then convince the House that the project is sound. His scheme cannot very well be made a "party question." If under such circumstances he has been able to rob the treasury and spread a moral blight up and down the country, it is certain that his opportunities would not be diminished if the State became the sole builder of railways. His task then would be the simpler one of drumming up support from the members, electors and newspapers of the district that was to be temporarily enriched by the expenditure, whereupon the Minister, with his eye on the next elections, would bring down the appropriation as a Government measure, and, right or wrong, it would become law. The history of the bankrupt railways referred to shows unmistakably that it would be quite as easy to influence Ministers to build a line at the public expense with the State in charge of construction and operation, and the promoter gathering up the fragments into twelve baskets for himself, as to induce them to grant a subsidy to a Company. The only difference would be that whilst in the one case the English bondholder has been victimized, in the other the entire loss of building worthless roads would fall upon the Canadian taxpayer.

It is highly probable, too, that under State construction and ownership. Ministers and members would to some extent take the place of the ordinary promoter and "make things solid" for themselves in their respective Pro-

(1) "The purchase of the Canada Eastern Railway by the Government of Canada will create a new condition of affairs in this Province in regard to railways. This road is being purchased because it is alleged that it will be a feeder for the Intercolonial Railway. Every railroad in the Province which touches the Intercolonial must be regarded as a feeder of that road. Purchase of one will commit the country to the purchase of all. As good reason will be found in time for the purchase of the others as for the purchase of this one. And all the others, the Kent Northern, the Caraquet—they need not be named—must as a matter of course be bought when the occasion arises, the occasion which political necessity will require to be taken by the hand." St. John, N.B., *Globe*, August 8, 1904. The *Globe* points out that the purchase of the Canada Eastern may give rise to a claim on the part of New Brunswick against the Dominion. New Brunswick subsidized the road to the extent of \$404,000. "Papers submitted to the House of Commons show that the Provincial Government was asked what would be its attitude in regard to this money advanced by the Province in case the Dominion took the road. The Provincial Government apparently gave the assurance that the question of a Provincial right in the road would not be raised in view of the fact that it would be a public advantage for the Dominion to own it. This, however, does not waive a Provincial claim absolutely. The matter is not one upon which the Provincial Government could make a positive declaration without the consent of the Legislature. Even were the Provincial interest abandoned—if it have any interest—in this particular instance, the question is pretty sure to arise on the absorption of other roads, which, as we have pointed out, is a most likely thing as the result of the precedent now set."

vinces and constituencies by gridironing them with railways. That is the case in Australia. True, the State would own the roads thus built whereas at present the Companies own them, but what benefit would the taxpayer derive from having more unprofitable mileage on his hands and how could corruption be checked by the substitution of members of Parliament for private promoters?

CHAPTER V.

CONCLUSIONS.

Let us now sum up the points which seem to be tolerably well established by our brief investigation:—

1. Railways, being in essence monopolies, will bear watching. The best safeguard yet devised against extortionate rates and other abuses is Government regulation, such as we have in Canada, where a Board with large powers and composed of able men independent of the railway corporations, may be invoked without much expense by any one having a grievance.

But no power within the State can do away with some of the grievances on which our "upheavers" love to discourse. Years ago the Grangers in a Western State passed a law that equal mileage rates for all commodities and all distances should prevail, but it had to be repealed forthwith. It would be manifestly absurd and unfair to the farmer to charge him the same toll for carrying wheat as the merchant for his silk, and not less so to make the man a long way from tidewater or an inland market pay the same rate per mile as the man near by. Yet at bottom these are the things demanded by the people with crotchets and nostrums and short cuts to the millennium.

When railways were first introduced in England it was expected that they would be public highways like turnpikes or canals, that the Company would merely provide the highway and take toll for its use, while the public or the carriers would employ their own locomotives and rolling-stock. Accordingly, the early English Acts required equal mileage rates—the same charge per ton per mile on all parts of the line for the same class of goods. This was a perfectly fair provision under the circumstances. It was soon found, however, that the only workable arrangement was for the Company which owned the railway to do the carrying too. As time went on, men learnt that there were certain laws or rules inherent in transportation which had to be observed if the community was to be benefitted to the fullest extent; and to enable the Companies to comply with them they were empowered to vary their tolls according to length of haul, the nature of the goods carried, the special conditions created by water or rail competition, and other circumstances. The Railway Acts of Canada have always permitted such discrimination whilst guarding against "undue discrimination"; so has the legislation of the United States, Australia, Continental Europe and all other countries. Those who say that State ownership would do away with the

necessity for it might as well hold that the State could annihilate distance, which indeed is implied by their proposition, or suspend the law of gravitation or upset the faculty of the figure 9 to reappear in other forms no matter how often it may be multiplied into itself—with all respect, they are talking nonsense. Their favorite grievance, that relating to the carriage of American freight over Canadian railways, is but a variation of those here referred to and has been already discussed at length.

2. State ownership and operation of railways works well in some European countries, indifferently well in others. It is not suited, apparently, to the freer institutions of the English race under which public control takes the place of arbitrary rule by a few. Australia is the only English-speaking country that has tried it as a general policy. The State there has constructed railways from their first introduction into the Colony, whereas if we in Canada wished to establish State ownership and operation we should have to borrow a gigantic sum: in order to acquire the Company roads, some of which yield but little even under their present management. It does not appear, however, that Australian railways are in any degree superior to ours, or that, taking everything into account, they charge lighter tolls, for if their tolls are nominally lower their service is inferior and their deficits have to be reckoned with. State ownership has been carried from railways to other utilities until something approaching a full-fledged State Socialism has been set on foot, with evil consequences to the finances as well as to the morale of the people. We should probably be dragged by the Socialist element into the same pit, and suffer heavier material loss because of our propinquity to the United States, where Socialism in the shape of Populism has recently been put to rout and where the great mass of the people are of an intensely practical turn with no desire to waste time and energy in "chasing rainbows." Our experience of the Intercolonial has not been such as to induce us to try the experiment of State ownership and operation on a large scale. One is even justified in saying that the Government could not do better for all concerned than sell or lease the Intercolonial to a Company that it may cease to be a source of waste and corruption.

3. State ownership is favored in the Canadian Northwest and British Columbia, where the people fancy they could compel those of us in the older Provinces to pay a proportion of their tolls in the form of deficits on operation. In reality, State ownership works against new and politically unimportant districts. A Company desires above all things to make money and encourages the development of new regions as well as it can with that end in view. The State—the party in office—is more concerned about votes. It can command more votes by catering to the old and well-settled parts of the country rather than to new regions, and in Australia and elsewhere adjusts its rates accordingly. Manitoba would not stand much chance of obtaining low produce rates if the Ontario and Quebec farmers were to complain, as some of them would be sure to do, that her competition was hurtful to them, or that she was reducing the selling value of their land by attracting their young men. She would doubtless get favorable rates on traffic going from the East. Such rates would be made low in the interest of the manufacturers and artisans of the older Provinces. But, judging from the experience of Australia, Germany and Prussia, no less than from our own experience on the Intercolonial, she would not be encouraged to compete in agricultural products with the more influential sections of the Dominion.

4. The notion that the evils of State ownership in a country like this could be avoided by appointing a Commission does not appear to be well-founded. Who would watch the Commission? Those who would give such a body plenary control over so vast an interest as the State railways evidently have little faith in free government. In Australia, where their power is probable quite as great as we could afford to make it consistently with the maintenance of Responsible Government, Commissions have not been very successful; whilst our experience on the Intercolonial is, as Mr. Brydges said, "entirely against the theory." The ancients had a saying *Nihil est in civitate quod non fuerit in cive*, the State is neither better nor worse than the people who constitute it, being able to reproduce in the gross only what its citizens display each in the small. It is important to press this point because so many dream of a State, or of State creations like a Railway Commission, in which men are thought of as angels. The apostolic dictum, "As is the earthy, such are they also that are earthy," covers all such cases. A Commission would doubtless consist of men more or less connected with politics or amenable to the party influences which placed them there; in addition to which Ministers would still control all matters of importance relating to construction and operation. What, then, should we accomplish by a Commission beyond adding another wheel to the coach?

In conclusion, State ownership of railways would not make, as some suppose, for the abatement of the subsidy evil but rather turn it into a more aggravated shape. Ministers and supporters playing the part now taken by promoters, only with ampler powers and opportunities for corrupting the people with their own money.

APPENDIX.

VIEWS OF LEADING CONSERVATIVES.

That Mr. Borden's project runs counter to Conservative tradition he himself would not deny. The opinions of Sir John Macdonald, given elsewhere, are not more emphatic against State ownership than those which Sir Charles Tupper expressed in Parliament within the last few years, as the following extract from a speech of his in the House (June 18, 1897) will show :—

"I learned with infinite pleasure that the Government had abandoned the idea or intention of building this railway (the Crow's Nest Pass Railway) as a Government work. I am quite aware that a portion of the press giving a considerable support to the Opposition has put forward this policy of the construction of the road through the Crow's Nest Pass as a Government work. I confess that I was astounded to find that, with the evidence that we had before us on the result of the construction and operation of Government railways in Canada, a single intelligent man could be found in the House, or out of it, who was prepared to advocate such a policy in this case. Why, Sir, all we have to do is to look at the facts that we have before us. We have already solved, we have set at rest forever, in the judgment, in the minds of any reasonable or intelligent man the question whether it is better for Canada to construct a railway and operate it as a Government work, or by the aid of a private Company. Sir, this country, from the necessity of the case—for it was made part of the compact of Confederation, and necessarily so—was obliged to undertake the construction of the

Intercolonial Railway as a Government work. It was a matter of necessity. And what was the result? Any person who will take the trouble to look at pages 650 and 651 of the Statistical Year Book of Canada will find the whole story told. We constructed a railway from the city of Halifax, a large, enterprising city with a great trade, offering the finest harbor on the continent of America as a means of communication for the ocean trade. We carried that railway to St. John, another fine harbor, another large town, and, I may be permitted to say, of still greater energy and enterprise than Halifax, and there were reasons for that. But, Sir, we have then run this line of railway through an open, cultivated country, through all the towns bordering upon the St. Lawrence up to Quebec, and with what result? With the result that to-day we stand face to face with a debt of no less than fifty millions of capital expenditure, and year after year a large deficit to be taken out of the treasury of Canada for the purpose of paying the expenditure over and above all that we can make out of the road.

"Whether Liberals or Conservatives were in power I would deplore in the strongest manner any attempt in this country by any Government, I care not who they are, or who they are composed of, to construct another Government railway. That is the position I take.

"I confess that when I learned that the Minister of Railways (Mr. Blair) had come back from British Columbia with his mind made up to take this great work up and construct it as a Government work, I confess that I was startled, and I felt it would be the greatest calamity that could happen to Canada for her to undertake to construct that road from Lethbridge to Nelson, or to the Columbia River, as a Government work. Because, as I said before, Governments cannot construct railways in an economical manner, they are under pressure, they are under influence, they are under embarrassments that do not apply to Companies. Suppose a Government undertakes the construction of a railway, what is the position? They ask for tenders, tenders come in. Hon. gentlemen know the howl that is raised by the Opposition, whoever they may be, if the lowest tender is not taken; and yet it is a tender that a Company who have got to find the money out of their own pockets, would not look at in their own interest, and would set it aside, and they would be consulting their own financial position by taking a much higher tender.

"So I say that the Government have not the latitude, they have not the means of saving public money, as a private Company can save theirs. Then, when it comes to the operation of the railway, where are you? Why, Sir, every gentleman sitting behind the Minister of Railways wants to get a friend, or a relative of a friend, or some active supporter, put upon the road. He says: 'You have got a thousand employes, and one more cannot make much difference.' He puts the screws upon him, and succeeds in crowding some one upon the railway.

"But there is a worse thing than that with reference to a Government railway, and nobody has experienced it more than I have myself. When you have built a road, and when you have over-manned the road, as you are almost compelled to do by the pressure that is put upon you, unless you are more than a man, there is a worse thing still, and that is that every man that has got a ton of freight to carry over the road, brings all the political influence he can upon the Government and the department, to carry that for nothing. Therefore, the Government is not in a position to preserve the interests of the public, nor to manage a railway in the same manner that a private Company can manage it. I am glad to say that I need not pursue the question, because my hon. friend who has just sat down, has relieved our minds, and my mind especially, from the fear that the Government would jeopardize the best interests of Canada by an attempt to construct this as a Government railway."

Sir Mackenzie Bowell, who visited Australia a few years ago and had an opportunity of witnessing State ownership and operation in action, said in his speech in the Senate in 1903 on the Grand Trunk Pacific scheme (Senate Debates, 1903, p. 1384) :—

"This I will say, speaking for myself, I am opposed to Governments running railways, and if we are to take the Intercolonial Railway as a sample to guide us in the future, all I have to say is, God protect us from the financial results that must follow if the Government are to own and run many other roads in the future. * * I watched the operation of the railways in Australia when I was there. They are Government railways. They produced no argument to my mind that Governments can own and operate railways as well as it can be done by individuals. I believe to-day that if the Grand Trunk Railway Company, or the Canadian Pacific Railway had possession of the Intercolonial Railway, they would run it with as much advantage, if not more advantage, to the people living in the Maritime Provinces, and at less expense than it is run to-day, and they would run it without losing any money. That may be a heterodox view to some of my friends from the Maritime Provinces, but I have come to that conclusion from having watched the management and the operations of that road under both Governments, and having watched the operation of the Government-owned roads in the Australian colonies. I know there is an objection to handing it over to any private corporation for fear that it would result to the disadvantage of the people living in the Maritime Provinces. I do not believe that it would, and personally I should like to see the Grand Trunk Railway or the Canadian Pacific Railway take possession of that road, if only for a few years, to test the truth of the statement that I have made, and if it was found to work to the disadvantage of the Provinces they could easily terminate the contract and take it back into their own possession."

Senator Wood, who hails from Moncton, the headquarters of the Intercolonial, and has an intimate knowledge of that road and its management, said in the Senate, June 23, 1897 :—

"I desire to say at the outset that on general principles I am opposed to the Government owning and operating railways. I think the general policy adopted in this country in the past, of allowing private Companies to own and operate the railway system of the country, and where it has been found necessary to do so, to grant them subsidies, and aid in the construction of those works, is a far better policy than placing these great public highways under the ownership and control of the Government. When the Intercolonial Railway was constructed there were exceptional reasons why it was built as a Government work. At the time of Confederation there was no railway communication between the Maritime Provinces which those Provinces entered the Union was that railway communication should be established between them, but at that time it was generally acknowledged that a railway constructed between the Maritime Provinces and the great centres of the West would not be a property in which any capitalist would be willing to invest his money. No capitalist, I venture to say, could be found, either in this country or in any other country, that would be willing to risk one dollar in that undertaking at that time as it might be the result of the operation of that railway, that they appealed to the Imperial Government for aid and assistance, and the Imperial Government aided the construction of that road by guaranteeing the interest upon a large loan to be used for its construction. These were the reasons which operated at that time to have the Intercolonial Railway constructed as a Government work."

Again (July 4, 1899) Senator Wood said in the Senate, the Drummond extension of the Intercolonial being still under debate :—

"In the discussion which took place two years ago, in 1897, I ventured to express the opinion which I entertained then, and which I entertain still, that it was not desirable, further than could be prevented, that the Government should own and operate railways in Canada. I do not believe that, as a function of the Government, a railway can be operated as economically or as successfully as it can be by private Companies. My views upon the subject, I think, received very strong confirmation in some of the figures which were submitted to the House by the Minister of Justice and the Secretary of State. They read from the railway statistics a very complete statement, or general statement I would perhaps more properly say, of the result of the operations of the Intercolonial Railway for a period extending over some twenty years. The results showed, as they very properly pointed out, that there had been a capital expenditure, first for construction, and afterwards for various extensions and improvements, amounting to some \$50,000,000. That upon that expenditure no return of any kind, in the

shape of interest, had been received; that in addition to this, there had been a very large deficiency between the gross revenues and the operating expenses amounting to—I do not recollect very correctly and I have not looked to verify the figures—some \$11,000,000.

Mr. Wood gave an account of the various extensions of the Intercolonial from 1877 and went on to say :—

"During this period, as a result of these extensions, and partly also of the natural growth of business in the Maritime Provinces, the traffic of the Intercolonial Railway has very largely increased. During twenty years the receipts from freight traffic increased from about half a million to over a million and a half dollars. It increased three-fold in about twenty years. The passenger traffic increased in about the same proportion. Instead, however, of the net results improving under these conditions, it appears that the working expenses have kept pace with the increase of receipts from both freight and passenger traffic, and the net results from the extensions which have hitherto been made, are no better, from a general point of view, than they were some twenty years ago. The Minister of Justice called my attention, a few minutes ago, to the fact that this was due to the very low rates which were charged in the Maritime Provinces. It may be that the rates there are lower than they are in some other parts of the Dominion, but I think if a comparison were made, it would be found that the general tariffs on railways which are operated through the old and thickly settled country, will not differ so very much from those which prevail in the Maritime Provinces as one would infer from the hon. gentleman's remarks.

"At all events, I venture the statement that in my opinion—and I believe my opinion will be confirmed by any person who has experience in railway business—that if the Intercolonial Railway as it is to-day, and as it has existed for many years past, were operated by private individuals, or by a Company organized for that purpose, it would show a handsome profit, and that could be made without adding one dollar to the charges either for freight traffic or passenger service."

The opinion of Sir George Drummond was given in the Montreal Herald of July 6, 1904. As everyone knows, Sir George has for years been one of the most prominent Conservatives not in the Senate alone but in the Dominion :—

"I am dead opposed to it (Government ownership and operation) especially after the object-lesson the Intercolonial Railway has been to the country. That is why I am absolutely opposed to the Government owning and controlling railways. They might possibly own the railways without running them, but that is another question. Government ownership might be tolerable if they could have the railways run by an absolutely independent Commission, but that is almost an impossibility. It would be almost impossible to keep them in a non-partisan position, and very difficult even if they owned the roads and leased them.

"I distinctly prefer the Company system of owning and management on the ground that it is certain to secure better service and greater economy. No Government can or ever will run any business which is dependent upon votes, upon business principles. I am opposed to municipal ownership of commercial undertakings on the same ground.

"The further Dominion and municipal politics are kept away from business the better, because politics and business are an impossible combination. I repeat, it is impossible for institutions based upon and operated by the votes of the people to manage a business enterprise on commercial principles."

Those who imagine that the political atmosphere would be purified if the subsidising of Company roads were stopped and State ownership resorted to, should read Hansard when the Caraqueet of New Brunswick and North West Central of Manitoba, roads in which members of Parliament were personally interested, were under discussion. We can stop the subsidising of Company lines without rushing into still greater evils. Casting out devils by the aid of Beelzebub is not more hopeless than seeking to cleanse politics by Government ownership.

